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House of Representatives

The House met at 9 a.m.

His Eminence Archbishop Michael J. Champion, Coadjutor to the Primate, Archbishop of Cleveland, Ukrainian Autocephalous Orthodox Church in the U.S.A., offered the following prayer:

O God, we acknowledge Your greatness and power over all things in the universe. We know that our lives, with their accomplishments and goals, their victories and advancements, are like grains of sand in the ocean compared to Your all-knowing and wonderful goodness. Help us to see any progress we make in this life to be truly a gift from You and a reflection of Your loving concern for all humanity.

Teach us to work for peace and justice and to remember that every good thing comes from You above, the God of light. Give us sincere compassion for those who need our help the most and make us always realize that preferential love for the poor and marginalized, whom we are destined to serve, for when we speak on behalf of those who have no voice and work for the betterment of those who otherwise could not help themselves, we are not only doing Your work, but ministering to You in the least of our brothers or sisters.

Guide these women and men, O God, to always work for the type of justice that reflects Your will and bless our Nation along the path of peace. Since You, O God, know the name and need of each person, even from their birth into this world, grant all people of our country the good things for which they ask, and lead us all with Your wisdom and mercy. Amen.

THE JOURNAL

The SPEAKER. The Chair has examined the Journal of the last day's proceedings and announces to the House his approval thereof.

Pursuant to clause 1, rule I, the Journal stands approved.

Mr. MCNULTY. Mr. Speaker, pursuant to clause 1, rule I, I demand a vote on agreeing to the Speaker's approval of the Journal.

The SPEAKER. The question is on the Chair's approval of the Journal.

The question was taken; and the Speaker announced that the ayes appeared to have it.

Mr. MCNULTY. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

Pursuant to clause 8, rule XX, further proceedings on this question will be postponed until later today.

The point of no quorum is considered withdrawn.

PLEDGE OF ALLEGIANCE

The SPEAKER. Will the gentleman from New Hampshire (Mr. SUNUNU) come forward and lead the House in the Pledge of Allegiance.

Mr. SUNUNU led the Pledge of Allegiance as follows:

> I pledge allegiance to the Flag of the United States of America, and to the Republic for which it stands, one nation under God, indivisible, with liberty and justice for all.

WELCOMING HIS EMINENCE ARCHBISHOP MICHAEL J. CHAMPION, ARCHBISHOP OF CLEVELAND, COADJUTOR TO THE PRIMATE, UKRAINIAN AUTOCEPHALOUS ORTHODOX CHURCH IN THE U.S.A.

(Mr. SUNUNU asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. SUNUNU. Mr. Speaker, it is my pleasure to rise today and recognize our guest Chaplain, His Eminence Archbishop Michael of the Ukrainian Autocephalous Orthodox Church.

As the Archbishop of Cleveland, His Eminence helps to oversee administration of the Metropolia and is widely recognized in the Orthodox community, both here in the United States and abroad, for the rapid growth of his church. He is also one of the youngest Archbishops in the country, a reflection of His Eminence's vision, energy and leadership skills.

He is a gifted writer and works closely with His Beatitude, Metropolitan Stephan, on several health care initiatives for the indigent, both here and abroad.

At a time when the messages of religious tolerance and religious liberty are more important than ever, we are pleased to hear the words of a spiritual leader whose faith and church have overcome great adversity in the 20th Century to establish a foundation of strength today.

We welcome Archbishop Michael and wish him continued success.

RECESS

The SPEAKER. Pursuant to the order of the House of Tuesday, May 1, 2001, the House will stand in recess subject to the call of the Chair, to receive the former Members of Congress.

Accordingly (at 9 o'clock and 7 minutes a.m.), the House stood in recess subject to the call of the Chair.

RECEPTION OF FORMER MEMBERS OF CONGRESS

The SPEAKER of the House presided.

The SPEAKER. I would like to take this opportunity to welcome everyone here this morning. On behalf of the House of Representatives, I am happy to welcome to this Chamber very good friends of this institution, former Members of Congress. You are not only friends of this institution, you are also friends of ours, and for many of us, and for many of you, we stand on your

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shoulders. The things that you have accomplished, the works that you have done, we are able to carry on. We are able to carry it on in the way that we have been able to because of your great works that have gone before us.

Every one of the Members here has spent precious years of their life in this chamber. Some of the best years of their lives were spent in this Chamber working to represent the needs and the concerns of the American people.

Your commitment to your Nation did not end when you left Congress. Many of you went on to do other things in public service. Many of you excelled in the private sector. Many of you have continued to serve our Nation in many other honorable ways.

Jack Kemp is one of those people. He is certainly an ideal and worthy choice to receive the Distinguished Service Award that this body, your group, is about to give. After 18 years in Congress, Jack Kemp had still more to do, including his service as Secretary of Housing and Urban Development; and we were all impressed, but not surprised, when Jack was nominated for Vice President in 1996. Today, he has continued to work to advance the kinds of policies he cares about that empower America. He is truly dedicated to the betterment of our Nation, and I say to you, congratulations, Jack.

Finally, I would like to take this opportunity to thank all of the former Members. Thank you for being here and for your continued effort, both home and abroad. Your outreach to college campuses throughout the country helps to strengthen the work of our government and encourage public service. Your support to parliaments around the world is invaluable, and I want to thank you for those efforts.

At this time I would request that the gentleman from Idaho, Mr. LaRocco, Vice President of the Former Members Association, take the Chair.

Mr. LAROCCO (presiding). The Chair would recognize the gentleman from New York, Mr. MCNULTY.

Mr. MCNULTY. Thank you, Mr. Speaker. On behalf of Minority Leader DICK GEPHARDT and all of the Members of our side of the aisle, we want to welcome all of the former Members of Congress to this session today. It is a great opportunity for us to reminisce.

I personally try never to miss this particular event. I walked into the Chamber and one of the first people I saw was one of my former leaders on the Committee on Armed Services, Sonny Montgomery. Before I came into the Chamber, I had breakfast with my class president, Bill Sarpalius, of the class of 1988. George Sangmeister, another member of our class, is over here. I saw my old buddies, Denny Hertel and Larry LaRocco. Last night at the reception I had a chance to visit with Ambassador Lindy Boggs and thank her for her outstanding service to our country, especially in her latest assignment.

I see so many members of the New York family, Matt McHugh and Bobby Garcia and Norm Lent and Jerry Solomon and Dave Martin, and New York, I am happy to say, is very, very well represented here today.

So, on behalf of DICK and DAVE BONIOR and all of the members of the Democratic Party, I join with Speaker HASTERT and the Republican leadership in welcoming all of you to this session today, and to thank you for your outstanding service to our country, and for reminding us of our great history and our heritage.

Thank you very much.

Mr. LAROCCO. The Clerk will call the roll of the former Members of the House and the Senate who are present today.

The Clerk called the roll of the former Members of the Congress, and the following former Members answered to their names:

ROLLCALL OF FORMER MEMBERS OF CONGRESS ATTENDING 31ST ANNUAL SPRING MEETING, MAY 2, 2001

THE UNITED STATES ASSOCIATION OF FORMER MEMBERS OF CONGRESS

William V. (Bill) Alexander, Arkansas
Bill Barrett, Nebraska
J. Glenn Beall, Jr., Maryland
Tom Bevill, Alabama
Lindy Boggs, Louisiana
William Broomfield, Michigan
Glen Browder, Alabama
Clarence ''Bud'' Brown, Ohio
James Broyhill, North Carolina
John H. Buchanan, Jr., Alabama
Jack Buechner, Missouri
Beverly Byron, Maryland
Elford A. Cederberg, Michigan
Charles Chamberlain, Michigan
Norman E. D'Amours, New Hampshire
Joseph J. DioGuardi, New York
John N. Erlenborn, Illinois
Lou Frey, Jr., Florida
Robert Garcia, New York
John Paul Hammerschmidt, Arkansas
Robert W. Hanrahan, Illinois
Ralph R. Harding, Idaho
Dennis M. Hertel, Michigan
George Hochbruechner, New York
Ken Holland, South Carolina
Marjorie Holt, Maryland
William J. Hughes, New Jersey
Robert Kastenmeier, Wisconsin
Jack Kemp, New York
David S. King, Utah
Herbert C. Klein, New Jersey
Ernest Konnyu, California
Steven T. Kuykendall, California
Peter N. Kyros, Maine
H. Martin Lancaster, North Carolina
Larry LaRocco, Idaho
Norman F. Lent, New York
Tom Lewis, Florida
Jim Lloyd, California
Catherine Long, Louisiana
Daniel E. Lungren, California
Connie Mack, Florida
David O'B. Martin, New York
Bob McEwen, Ohio
Matthew F. McHugh, New York
C. Thomas McMillan, Maryland
Lloyd Meeds, Washington
Robert H. Michel, Illinois
Clarence E. Miller, Ohio
G.V. ''Sonny'' Montgomery, Mississippi
John Myers, Indiana
Richard D. ''Dick'' Nichols, Kansas
Ed Pease, Indiana
Howard W. Pollock, Alaska,
Don Ritter, Pennsylvania
Carlos Romero-Barcelo, Puerto Rico
George E. Sangmeister, Illinois
Bill Sarpalius, Texas
Richard T. Schulze, Pennsylvania
Bud Shuster, Pennsylvania
Carlton R. Sickles, Maryland
Jerry Solomon, New York
Jim Symington, Missouri
Steve Symms, Idaho
Charles W. Whalen, Jr., Ohio
Harris Wofford, Pennsylvania
Howard A. Wolpe, Michigan
Joe Wyatt, Jr., Texas

□ 0915

Mr. LAROCCO. The Chair announces that 53 former Members of Congress have responded to their names.

The Chair recognizes the distinguished majority leader of the House, the gentleman from Texas (Mr. ARMEY), for the purpose of making some remarks to the association.

Mr. ARMEY. Well, good morning. I look around the room, I think I know most of you, and it is nice to see a lot of your faces back. Sonny, we will probably have a veterans bill on the floor later today by unanimous consent.

It is so nice to see all my good friends, Bob Michel, who is a bit of a mentor and a somewhat frustrated disciplinarian in my case for a lot of years. I see Jerry. And, oh, look here. Bill, how are you? A true mentor. I was thinking about this this morning as I was coming in here. Joe, how are you this morning? One of the things that has been a blessing in my life, and some of you remember when I came here. I was what was known as a bomb thrower. I still am, am I?

You know, you come to this body, I think, without any full appreciation of what this institution is. Then yesterday I happened to be downtown; and as we were driving back toward the Capitol, I looked up and I saw the dome, and I had two or three of my young staffers, and I began to comment that it is a big deal where we work and are we not privileged to be here. And I think that one of the things that we develop over here is a genuine love for this institution.

I am sure that some of you remember, frankly, my lack of understanding of that, appreciation for it and respect for it, and thought, as a young new Member, that this guy will never come to this point. Well, let me just say I believe I have come to the point that you have come to and that has brought you back today. We love this House of Representatives. I consider it the most unique institution of democracy in the world. There is nothing really quite

like it. And for you and me, we have had, I think, an extraordinary privilege, a privilege that unfortunately we do not always fully respect during the time we are here.

Let me first thank you for coming back here as you have done to pay respect to this institution and to honor this institution; and let me ask you, as you visit with some of us that are still here, particularly some of us that are new here that you may know, that maybe replaced you, take the time, take a chance on us and give us a word of encouragement to come and know the love of this House. It is a special place. We have been so privileged to serve here together. We have learned a lot from one another, we have learned that we can filter through this love of the institution a respect for one another and our differences.

For me, of course, the unbelievable privilege of being the majority leader of the House, being trusted by my colleagues to schedule the House, this prompted a discussion with former Speaker Jim Wright. Some of you may recall that when Speaker Wright was here and we were in the minority he and I did not necessarily have the most cordial relationship. But Jim asked me, he said, ''Dick, is there anything you have learned while being majority leader?'' I said, ''Yes, Jim, I learned I should have had more appreciation for you when you had the job.''

So help us, if you will, to know what you now know, that has brought you back here today. This is a wonderful institution. We are privileged to be here. We ought to first manifest our love for this institution and through that perhaps gain some regard and respect, appreciation, patience, and good humor between ourselves even in the heat of our debates.

Thank you for coming back. Thank every one of you so much for what you did for me. I see so many people here that helped me, encouraged me along the way. Bob, if you think it is hopeless to try to discipline that ARMEY, you have a soul mate, my wife has the same feeling. So in the House or the house in Texas, I am still incorrigible. We will try to at least be good natured and well-mannered while being incorrigible.

Thank you for letting me be here.

Mr. LAROCCO. At this time the Chair would recognize the gentleman from Illinois, the Honorable John Erlenborn, president of our association.

Mr. ERLENBORN. Thank you, Mr. Speaker pro tempore. My colleagues, members of the Former Members Association, and others who are here today with us, first of all, let me say that right now represents for me a somewhat unique situation. After 20 years in Congress, this is the first time I have spoken from the Democratic podium, but I wanted to highlight our bipartisan nature today.

Mr. Speaker, thanks to you and to all of you who have come here today. We are especially grateful to the Speaker, DENNIS HASTERT, for taking time from his busy schedule to greet us, and for Representative MICHAEL MCNULTY for his warm welcome on behalf of the Democratic leadership.

It is always a privilege to return to this institution which we revere and where we shared so many memorable experiences. Service in the Congress is both a joy and a heavy responsibility. And whatever our party affiliation, we have great admiration for those who continue to serve the country in this place. We thank them all for once again giving us this opportunity to report on the activity of our association of former Members of Congress.

This is our 31st annual report to Congress, and I ask unanimous consent, Mr. Speaker, that all Members be permitted to revise and extend their remarks.

Mr. LAROCCO. Without objection, so ordered.

Mr. ERLENBORN. Our association is nonpartisan. It has been chartered, but not funded, by the Congress. We have a wide variety of domestic and international programs, which several other members and I will discuss briefly.

Our membership numbers approximately 600 former Members of the House and the Senate, and our purpose is to continue in some small measure the service to this country that we began during our terms in the Senate and the House of Representatives.

□ 0930

Our most significant domestic activity is our Congress to Campus Program. This is an effort, on a bipartisan basis, to share with college students throughout the country our insights on the work of the Congress and the political process more generally. A team of former members, one Republican, one Democrat, spend 2½ days on college campuses throughout the United States, meeting formally and informally with students and members of the faculty and local communities. This is a great experience for our members.

I have made the trip five or six times myself. It has always been enjoyable. But our primary goal is to generate a deeper appreciation for our democratic form of government and the need to participate actively.

Since the program's inception in 1976, 120 former Members of Congress have reached more than 150,000 students through 273 visits to 186 campuses in 49 States and the District of Columbia. In recent years, we have conducted the program jointly with the Stennis Center for Public Service at Mississippi State University. The former Members donate their time to this program. The Stennis Center pays transportation costs, and the host institution provides room and board.

At this point, I yield to Dennis Hertel, the gentleman from Michigan, to discuss his participation in the Congress to Campus Program.

Mr. HERTEL. Thank you, John.

The Congress to Campus is the major program of our Association, in conjunction with the Stennis Center for Public Service, as was just stated. We send one Republican and one Democratic for 2½ days to various campuses. I have been fortunate enough to go to South Dakota, Mississippi, North Dakota and Oklahoma with Rod Chandler from Washington State, George Wortley from New York, and John Erlenborn, just 2 weeks ago, to Minnesota.

What we do is talk with the students about what our government does and how it works. We are not running from office or seeking anything. They realize that we are going to give them frank answers to their questions. We meet with assemblies, classrooms, small groups and have lunch and dinner with the students. My wife, Cindy, and I have three students in college now, one a first-year law student, and so you can see where our focus and finances are. Sometimes my children ask, where are you going now and why are you going there. They wonder if I have any knowledge to tell these other college students.

The truth is, I learn from the students every time. The things that they are talking about, the questions that they are debating, the questions that they ask us provoke us to reflect on what we have done and what Congress is doing today.

Mainly, we let them see us as people and tell them our history as to how we got involved and how we were elected to Congress and got involved in the political process. Our goal is to combat that cynicism out there and to give them an understanding what this Congress does, but mainly it is to let them know that there are people from the Democratic and Republican parties that care, and to let them know that it is their responsibility to get involved, whether in the community or State, or here in the Congress in the future. I am sure that we have talked to many future leaders, many future Congressmen and Congresswomen.

And I always emphasize that we are not up to 51 percent of the population in the Congress reflecting the Members, even though we have made great strides in terms of the number of women in the House and Senate. It is satisfying and electrifying when I talk to the students, and I thank all former Members who have participated.

Mr. ERLENBORN. One outgrowth of the Congress to Campus Program was an interest in producing a book that would take an inside look at the Congress from different viewpoints. There are many fine books written by individual Members of Congress, but to our knowledge there was no compendium that goes beyond or behind the scenes in a very personal way. So a past president of the association, Lou Frey, recruited 34 members, a congressional spouse, two former congressional staff members, and a former member of the Canadian parliament to write chapters for a book on Congress. Lou and the

head of the Political Science Department at Colgate University, Professor Michael Hayes, co-edited the book, Inside the House: Former Members Reveal How Congress Really Works, which was published in March of this year. The book has been very well received and already is in its second printing. We hope that you and others will find it interesting and informative. Lou Frey will tell you more about the book a bit later.

Mr. Speaker, as you know, although many of our former Members live in the Washington area, there are quite a few who reside in other parts of the country. Therefore, in an effort to broaden participation in the Association, we have held some meetings outside of Washington. In recent years, we have held a regional meeting in California each fall. In October of last year, we switched the venue to Texas and held the meeting in Austin. Our former colleagues, Jake Pickle, Jack Hightower, Kent Hance, Joe Wyatt and Bill Patman planned an interesting schedule that included visits to the LBJ Library and ranch, tours of the State capitol building and the governor's mansion, and meetings with students at the University of Texas.

I would like to yield to Bill Sarpalius, the gentleman from Texas, to provide more details about the meeting.

Mr. SARPALIUS. Mr. Speaker, the trip that we had occurred from October 21 through October 25. As the chairman mentioned, the trip began with a trip to San Antonio, where we took a ride down the River Walk and toured one of the famous buildings of United States, which is the Alamo.

The next day we took a private tour of the State capitol, and I might add, the people from Texas made sure is that everybody understood that that dome is a little bit taller than the one here in Washington. And we took a private tour of the governor's mansion. But being the last part of October, for some reason the governor of Texas was not there. He was out campaigning for something.

Probably the highlight of the entire meeting and trip that we had was all of us went to the LBJ Library and had lunch with students there, and then we broke up into different classes. Of course, Lady Bird Johnson was there and was a tremendous hostess to us.

To participate in those classes with those students and to see the brilliance of the future generations of these young people and their knowledge of politics, and not only politics in the United States, but politics around the world was extremely impressive.

After the classes, we then took a tour of the LBJ Library, which I personally found, and I have been through that library many, many times, but I recall walking with Jack Brooks and Jake Pickle and Graham Purcell, and we hit a particular spot in that museum where I was facing them, and all of a sudden their expressions changed. We were entering the part that was on the assassination of President Kennedy, and to hear them reminisce of when they were in the motorcade and what they remembered happened at that event was extremely educational to me personally.

The next day the delegation had a private tour of the Nimitz-Bush Pacific War Museum, and then toured the LBJ ranch, and then finished up with dinner in the Lieutenant Governor's Room at the State capitol.

I might add, in closing, that one of the things that I hope we all will recall is that the good Lord has given many, many people the breath of life, and he never created anybody identically the same; we were all created different. But there is one thing that all of us in this Chamber have in common, and that is we were Members of the most powerful governmental body in the world.

We were given that blessing by our constituents, and we were there to try to help the future, but we are cheating the future if we do not take those experiences that we gained and share it with future generations, like the opportunities that we had to participate in speaking to those classes at the LBJ Library in Austin, Texas. It was a wonderful trip.

Mr. ERLENBORN. On December 5, 2000, the Association once again sponsored a ''Life After Congress'' seminar, a program we have traditionally organized for the benefit of Members leaving Congress. During the seminar, former Members Larry LaRocco, Jack Buechner, Martin Lancaster, Henson Moore, Fred Grandy and I shared our experiences about the adjustments we had to make when we left Congress and how we managed to seek and pursue careers in a variety of fields.

Congressional spouse Leslie Hayes described how members of families of former Members cope with leaving Congress and beginning a new life. In addition, congressional support staff outlined the services available to former Members of Congress. As in the past, the seminar was followed by a reception sponsored by the Association's Auxiliary to afford more time for informal exchanges.

Mr. Speaker, beyond the events we organize here, the Association is very active in sponsoring programs that are international in scope. Over the years, we have gained considerable experience in fostering interactions between the leaders of other nations and the United States. We have arranged more than 424 special events at the U.S. Capitol for international delegations from 85 countries and the European Parliament, programmed short-term visits for individual members of Parliament and long-term visits for parliamentary staff, hosted 47 foreign policy seminars in nine countries involving 1,500 former and current parliamentarians, and conducted 18 study tours abroad for former Members of Congress.

The Association also serves as the secretariat for the Congressional Study Group on Germany, the largest and most active exchange program between the U.S. Congress and the parliament of another country. Founded in 1987 in the House and in 1988 in the Senate, it is a bipartisan group involving 170 Representatives and Senators. They are afforded the opportunity to meet with their counterparts in the German Bundestag to enhance understanding and greater cooperation.

Ongoing study group activities include conducting a Distinguished Visitors Program at the U.S. Capitol for guests from Germany; sponsoring annual seminars involving Members of Congress and the Bundestag; providing information about participants in the Congress-Bundestag Youth Exchange Program to appropriate Members of Congress; and arranging for members of the Bundestag to visit congressional districts with Members of Congress.

New activities are being explored to enhance these opportunities. The Congressional Study Group on Germany is funded primarily by the German Marshall Fund of the United States. Additional funding to assist with administrative expenses has also been received this year from eight corporations: BASF, Celanese, DaimlerChrysler, Deutsche Telekom, J.P. Morgan Chase, S.A.P., Siemens, and Volkswagen, whose representatives now serve on a Business Advisory Council to the study group, which is chaired by our former colleague, former Member Tom Coleman, who served as the chairman of the study group in the House in 1989.

I now would like to yield to the gentleman from Missouri, Jack Buechner to report on the 18th Congress-Bundestag Seminar held in Germany from April 9 to 12 and other study group activities.

Mr. BUECHNER. I thank the gentleman from Illinois for yielding to me. It gives me great pleasure to report on the activities of the Congressional Study Group. This program remains the largest and most active parliamentary exchange between the U.S. Congress and the legislative branch of any other country.

□ 0945

I would add that I do not think there are any similar programs anywhere in the world that would compare with this program. Currently 170 Members of Congress, 33 Senators, and 137 Members of the House, participate in the activities of the congressional study group. With the inauguration of the 107th Congress, the study group saw significant changes in its congressional leadership.

In the House, JOEL HEFLEY of Colorado assumed the post of chairman and NICK LAMPSON of Texas became the new vice chairman. On the Senate side, TIM JOHNSON of South Dakota remained the Democratic cochair while CHUCK HAGEL of Nebraska replaced Bill Roth as the Republican cochair.

I would hope everybody would join with me in thanking Bill Roth for the

tremendous service and commitment that he gave to this program in his years in the Senate. Under the Study Group's new director, Peter Weichlein, the study group has significantly expanded the number and scope of its activities. However, the two main programs of the group remain its distinguished visitors program at our Capitol and its annual Congress-Bundestag seminar. The Distinguished Visitors Program has hosted numerous high ranking elected and appointed officials of the Federal Republic of Germany here on Capitol Hill.

In this congressional session alone, the study group brought together with Members of Congress Germany's Federal Minister of Economics, Werner Mueller, and just last week the chair of Germany's CDU party, that is the Christian Democrats, Dr. Angela Merkel, who quite possibly could be elected Germany's next Chancellor in 2002.

I now have had the pleasure of attending several Congress-Bundestag seminars. The annual meeting arranged by the Congressional Study Group on Germany that brings together Members of Congress and their confreres from the Bundestag for in-depth dialogue. This is the 18th year the seminar was hosted by the study group and they just seem to be getting better each year, although I would add I think they get colder each year. As we were leaving Usedom, we looked out the window and we were greeted by some good Baltic Sea snow.

GIL GUTKNECHT of Minnesota led a delegation of current and former members first to Berlin and then to Usedom Island from April 7 to April 13. We arrived in Berlin on Sunday, were treated to a private tour of the Reichstag by a member of the Bundestag, Volkmar Schultz. The next morning, we had a working breakfast with Germany's foreign minister. It was over an hour. I would be hard pressed to think that our Secretary of State would have given the same greetings and in-depth discussion with Members of the Congress. We also went with the Vice Chancellor, Joschka Fischer, where we discussed global security issues including China and the Middle East. We then traveled to Usedom, which is a beautiful island in the northeastern part of Germany three kilometers from the Polish border.

As you can imagine, as I said before, the second week of April and Usedom in the Baltics, it was a bit cold but that did not deter anyone from having a joyful experience. There were four days of meetings with seven current Bundestag members ranging from the Greens to the Christian Democrats. Our discussion focused on domestic issues, especially East Germany 10 years after reunification and the United States under the Bush administration. We also had a dialogue on trade questions, such as the trade implications of EU expansion to the east. We discussed security policy issues, for example, NMD and NATO expansion.

The study group also organized several memorable excursions and activities. For example, we toured Peenemunde where Werner von Braun and his team developed rocket technology still in use today. We were flown by military helicopter to Eggesin Army Base where the German, Polish, and Danish troops form the tri-national corps. Here we were briefed on the Kosovo mission. We witnessed several troop exercises which are used to prepare the soldiers for their Balkan mission.

The activities of the Congressional Study Group on Germany as highlighted by the annual seminar are quite impressive and they serve an important purpose of providing current Members with the opportunity to communicate with legislators from one of our most important allies and trade partners. The Association of Former Members, through this program, provides a very unique and vital service to the current Members. I believe the Congressional Study Group on Germany is an excellent example of how the talents and efforts of former Members can be used to benefit current Members and to a larger extent the public. I thank you.

Mr. ERLENBORN. Our association also serves as the secretariat for the Congressional Study Group on Japan. Founded in 1993 in cooperation with the East-West Center in Hawaii, it is a bipartisan group of 86 Members of the House and the Senate with an additional 49 Members having asked to be kept informed of the study group activities. In addition to providing substantive opportunities for Members of Congress to meet with their counterparts in the Japanese Diet, the study group arranges monthly briefings when the Congress is in session for Members to hear from American and Japanese experts about various aspects of the U.S.-Japan relationship. The Congressional Study Group on Japan is funded primarily by the Japan-U.S. Friendship Commission.

In 1999, the association began a parliamentary exchange program with the People's Republic of China. In October of that year with funding from the U.S. Information Agency, the association hosted a delegation of nine members of the National People's Congress of China in Washington. This program marked the inauguration of the U.S.-China Interparliamentary Exchange Group whose members are appointed by the Speaker. The visit included in-depth discussions between Members of the two Congresses as well as meetings by members of the Chinese delegation with high level executive branch representatives, academics, and business representatives.

In 2000, the association received a grant from the Department of State to continue this exchange program by arranging a visit to China by members of the exchange group. The trip to China, which is scheduled to take place in August of this year, will include stops in Beijing for in-depth discussions with members of the National Peoples Congress of China and meetings with other government representatives and in Tibet to observe conditions there.

The association also has received funding from private sources to initiate a Congressional Study Group on China which will hold monthly meetings at the Capitol for current Members to discuss with American and Chinese experts topics of particular concern in this important relationship. We believe the current situation with China underscores the need for forthright and open dialogue between the leaders of the United States and China, and we are working with the leaders of the U.S.-China Inter-Parliamentary exchange group to encourage the continuation and expansion of this vital dialogue.

The U.S. Congress and the Congress of Mexico have been conducting annual seminars for 40 years under the auspices of the U.S.-Mexico Inter-Parliamentary Group. However, there is little interaction between legislators from these two countries during the rest of the year. The association hopes to initiate a Congressional Study Group on Mexico, with funding from the Tinker Foundation, so that Members of Congress can meet on a regular basis with visiting American dignitaries and other experts about various aspects of the U.S.-Mexico relationship.

These plans have been delayed by the advent of new administrations both in the United States and Mexico. However, knowing the importance placed on both new Presidents and the U.S.-Mexican relationship, it is anticipated that this program will get under way in the near future. In the aftermath of political changes in Europe, the association began a series of programs in 1989 to assist the emerging democracies of central and eastern Europe.

With funding from the U.S. Information Agency, the association sent bipartisan teams of former Members of Congress, accompanied by either a congressional or a country expert to the Czech Republic, Slovakia, Hungary and Poland for up to 2 weeks. They conducted workshops and provided instruction on legislative issues for new members of parliament, their staffs and other persons involved in the legislative process. They also made public appearances to discuss the American political process. In addition, the association brought delegations of members of parliament from these countries to the United States for 2-week visits.

With funding from the USIA, the association sent a technical advisor to the Hungarian parliament from 1991 to 1993. With financial support from the Pew Charitable Trust in 1994, the association assigned technical advisers to the Slovak and Ukrainian parliaments. This initial support was supplemented by other grants to enable the Congressional Fellows to extend their stays. From 1995 through 2000, with funding

from the U.S. Agency for International Development and the Eurasia Foundation, the association managed a highly successful program that placed Ukrainian students in internships with committees, legislative support offices, and leadership offices of the Parliament of Ukraine. This program met not only the Parliament's short-term need of having a well-educated, motivated, and professionally trained staff to conduct its current legislative work effectively, but also the longer term need to develop a cadre of trained professionals. Former Members of Congress visited Ukraine from time to time to assist with these efforts by meeting with the students involved in the program as well as with Ukrainian government leaders.

At the end of 2000, the association turned over the administration of this program to local Ukrainian management to ensure its long-term viability. Two independent Ukrainian groups, one academic, and the other the Association of Ukrainian Deputies, have committed themselves to maintaining the high professional standards in the nonpartisan selection process.

The Ukrainian program proved to be an excellent pilot that was well worth replicating in other emerging democracies, particularly in the Central/East European and NIS areas. In late 1999-early 2000, under a grant from the National Democratic Institute for International Affairs, with funding from the Agency for International Development, the association sent a congressional staff member to Macedonia for 6 months. He selected university students and recent graduates in that country and trained them to provide research and drafting services to the Members of Parliament who lacked such resources. A young Macedonian lawyer worked with our congressional fellow and assumed the management of the program upon his return to the United States. I was privileged to have traveled to Macedonia in January of 2000 to confer with Members of the Macedonian Parliament concerning the intern program that we had established for them.

I believe that one of the most important programs the association has undertaken is providing help to emerging democracies, especially their parliaments. The transition from the old ways to democratic governments is a basic test of the success of the newly emerging democracies. Similar problems are being faced by all of them with varying successes. I believe the intern projects that we have initiated are necessary to help the legislatures transition to independent and meaningful roles if the voice of the people is to be heard as it must in a democracy.

The U.S. Association of Former Members of Congress is uniquely qualified to provide the resources for the education of the legislators in the emerging democracies. Former Members have experience in State legislatures and in Congress. We cannot expect other countries to adopt our ways, but we can help them identify the basic elements of a free, representative government sensitive to the traditions of their country. I believe that each and every one of us, having served our country in the past, still has the urge to serve in some capacity. With our experience, we can help other countries move toward responsive democratic governments. It would be a shame to waste the resource that we represent. I hope that we can have more programs such as those in Ukraine and Macedonia. The association would be happy to respond to requests to assist other emerging democracies.

The association also has been interested in assisting with U.S.-Cuban relations. In December of 1996, we sent a delegation of current and former Members of Congress to Cuba on a study mission to assess the situation there and analyze the effectiveness of U.S. policies toward Cuba. Upon its return, the delegation wrote a report of its findings which was widely disseminated through the media and was made available to Members of Congress as well as to personnel in the executive branch.

A follow-up to this initial study was conducted in January of 1999. Again, the delegation wrote a detailed report of its findings and shared it through media and briefings with congressional leaders and representatives of the executive branch. A final study mission to Cuba took place from May 29 to June 3 of 2000. A delegation led by John Brademas of Indiana and including Jack Buechner of Missouri, Larry LaRocco of Idaho, and Fred Grandy of Iowa met with representatives of the Cuban Government, dissidents and others to assess the present state of the U.S.-Cuba relations.

□ 1000

This program with Cuba was funded by the Ford Foundation.

I would now like to yield to the gentleman from Idaho, Larry LaRocco, to share his observations from the most recent trip to Cuba; and I will replace the gentleman while he is in the well.

Mr. LAROCCO. Thank you, Mr. President.

I am pleased to report on the third fact-finding mission to Cuba by a bipartisan delegation from the Association of Former Members of Congress. Our trip was just about 1 year ago, from May 26 to June 3, 2000. Our purpose was to explore firsthand the current political, social and economic realities in Cuba and to consider what steps might be taken to improve relations between Cuba and the United States.

Before traveling, we were fully briefed by officials in the Department of State, key Members of Congress, leaders of nongovernmental organizations, and officials of the Cuban Interests Section in Washington, D.C.

Unlike the two previous delegations, we did not travel as a group officially invited by the Cuban Government. We had the appropriate documentation from the U.S. Government, however.

The Cuban Government did not extend an official invitation to the delegation. We were simply issued tourist visas. This unofficial character of the trip allowed us to control our own time, to have a variety of meetings, and to gain a much better idea of what a cross-section of the Cuban population thinks. Unencumbered by the protocol demands that normally accompany an officially approved trip, we were free to visit a wide range of independent organizations, art centers, church and church-sponsored groups, and research centers.

We were also able to attend church services, visit markets, travel into the countryside and talk freely to private citizens. On the ground in Cuba, we heard a remarkably diverse array of voices and observed a highly complex set of political and social circumstances.

The report we wrote upon our return from Cuba reflects the collective deliberations of the delegation, and lists six specific recommendations we all endorsed. We did not attempt to tackle every issue involved in the relations between our countries. In order to make concrete recommendations, we focused, however, on a core of matters that seemed particularly significant to us.

Our recommendations closely paralleled those of the previous two bipartisan delegations. To date, 15 former Members of Congress, eight Republicans and seven Democrats, have traveled to Cuba on these Ford Foundation-sponsored missions. The recommendations of all three delegations have been unanimous and are remarkably similar in terms of their implications for U.S. policy.

I would like to briefly summarize our recommendations: number one, Congress and the administration should begin a phased reduction of sanctions legislation as defined in the Cuban Democracy Act of 1992 (P.L. 102–484) and the Cuban Liberty and Democratic Solidarity (LIBERTAD) Act of 1996, that was known as the Helms-Burton P.L. 104–114. At the time of our report, we supported the enactment of H.R. 3140 and S. 2382 to remove all restrictions on the sales or gifts of food and medicines.

Number two, serious consideration should be given to the establishment of a U.S. bank in Havana, if legislation to authorize the sale of food and medicine is approved by the Congress and the administration.

Number three, opportunities for people-to-people contact between citizens of the United States and Cuba should be expanded, particularly through the two-way exchanges in the fields of education and culture. More links between educational, cultural and nongovernmental institutions in our two countries should also be established.

Number four, the current ceilings on annual remittances from the United

States to Cuba should be raised significantly, if not eliminated.

Number five, steps should be taken to facilitate direct flights between the United States and Cuba.

Finally, number six, steps should be taken to improve Internet communications between the citizens of both countries. Initiatives aimed at enabling Cuban citizens to gain greater access to the Internet should be encouraged and support should be given to individuals and entities involved in the creation of Web sites and other electronic platforms aimed at improving mutual understanding between the peoples of the United States and Cuba.

That, Mr. President, and members of the association, is our report. At this time there are no future missions to Cuba that are planned, but we look forward to playing a role in developing better relationships between Cuba and the United States.

Mr. Speaker, that concludes my report on our trip to Cuba.

Mr. ERLENBORN. I must confess that I arranged to have the gentleman from Idaho give this report. For the last 2 years, I was privileged to occupy the Speaker's chair during our report to the Congress. This year, of course, I am enjoying this role; but I hated to relinquish the Speaker's chair, so I made it possible I could occupy it for part of the time at least.

The association organizes study tours for its members and their spouses who at their own expense have participated in educational and cultural experiences in Canada, China, Vietnam, Australia, New Zealand, the former Soviet Union, Western and Eastern Europe, the Middle East and South America.

In March 2000, 65 association and auxiliary members, spouses and friends, visited Italy where there were three former Members of Congress serving as ambassadors. Our ambassador to the Holy See, Lindy Boggs. Lindy, good to see you here today. George McGovern, who was then ambassador to the Food and Agricultural Organization; and Tom Foglietta, our ambassador to Italy.

In September of 2001, we are planning a study tour to Turkey which will include visits to Istanbul, Ankara, Izmir, and Ephesus, with an optional cruise along the southern coast at the end. The trip will include meetings with Turkish business representatives and government leaders, as well as opportunities to visit many of the historic sites in Turkey. I hope many of our association and auxiliary members will be able to participate in what should be an exceptional opportunity.

Mr. Speaker, as you can see, the association conducts a wide variety of programs and is continuing to expand them. All of this requires financial support. At present, our funding comes from three primary sources: program grants, membership dues, and an annual fund-raising dinner and auction.

On March 6 of this year, we held our fourth annual Statesmanship Award dinner at which our friend and colleague, Norm Mineta, was honored. We presented Norm with the Statesmanship Award in recognition of his service as a Member of Congress, as Secretary of Commerce, as the current Secretary of Transportation and for his many other outstanding achievements.

I would like to thank the gentleman from Florida, Lou Frey, who provided the leadership that helped make our first four dinners so successful, and to yield to him to report on this year's dinner, our plans for next year, and for any additional comments he would like to make about the association's book, ''Inside the House,'' which was mentioned earlier.

Mr. FREY. Thank you, Mr. President. Before we start, I would like to thank you and Larry, Jack Buechner, Tom Downey, Matt McHugh, the executive committee, for the leadership you have given us and given us all an opportunity to put back and continue our public service in a small way.

The fourth annual Statesmanship Award dinner was held on March 6 at the Willard Hotel. It was a sellout with over 460 people attending. As a matter of fact, our honoree, Jack Kemp, called up at the last minute for tickets to go and our staff turned him down since it was a sellout. That was quickly corrected; but you better get your order in early, Mr. Secretary, for that.

As I said, Norm Mineta got the award. We are pleased to report that the revenues for the ticket sales were over $150,000 from it. We had two outstanding auctioneers, Jimmy Hayes and Larry LaRocco. We were joined by a rookie this year, who we gave him a chance to perform for us, TOM DELAY. He performed very well. As a matter of fact, we have asked him back he did such a good job. So we hope he will join our team next year.

We raised over $12,000 from the auction itself. And for those of you who wish, there is still an opportunity left if you see Jack Buechner to have a chance in a raffle that we are continuing.

I put in the RECORD the names of everybody who worked on this dinner for us, who we really appreciate. The next dinner will be March 5 of next year. I know there are people like Jim Lloyd who have been beating on me saying, When is the dinner? I want to go out and sell tickets again. Jim, I appreciate that offer of yours and everybody else's. So we need all of you who served to serve again. Frankly, some of you who have not joined in could really help us because this is really the key fund-raising event for our association. We really need the help.

We have the date for the dinner. It is going to be at the Willard Hotel. I had the opportunity with some of you here to have breakfast with the Vice President, I think a week or so ago, and used that opportunity and our old friendship to ask him if he would receive the award next year; and before his staff could intercede he said yes. I am just putting it on the record now so that we think we have him locked up for it, and he has agreed to come so we have it all set for next year. We just need your help to make it even more successful.

I also want to talk a little bit about the book, ''Inside the House,'' which many of you out here wrote and which we have even got help from our good friend Barry Turner with a chapter which we would not have gotten done without your help, Barry; and we certainly appreciate that. For those of you who have not read it, it is really a good book. Sonny Montgomery called me the other day and he said, that is a pretty good book, and it really is. It is a human look at the Congress. It is a case study of the Congress. It is unique. There is nothing else, to my knowledge and to those of us who have been working on this, that exists.

It is not one person's look at the Congress, but it is 34 people and other people who are looking at it. It is really the human side of it. If you read this book, you will come away, I think, number one, with a feel of how all of us care about this place and what we are doing and how proud of it we are, and the different approaches to it.

I have a bunch of grandkids now, and I am in the reading mode again; and there is that Aesop's Fable, I think, of the seven blind men and the elephant who reach out and touch different parts and talk about it. That is sort of what this book is like. It comes from all different things, from the spouse's standpoint, from the academic standpoint, from Jim Symington talking about how he got into public service, going back to the time that one of his relatives was with Pickett and the other was on the other side of the fight in the same battle, and just different interesting looks at people, how they got there, how they feel and what they do.

Not really to our surprise but to our relief, we have seen some really good reviews from political scientists across the country. It has been covered on C–SPAN. It has been covered up here. We have had it sold out already, another printing coming back. It is being used at the War College out in California. Colgate University is using it.

One last thing I want to say, we really owe a great debt to Professor Michael Hayes. He is the chairman of the Political Science Department at Colgate University, and he really put a lot of work and effort into this. So for those of you who have not had a chance to read it or use it, please do it. It is a good book, and I guess there will be a sequel to it so you will be getting some phone calls in the future.

Mr. ERLENBORN. Would the gentleman from Florida please remain in the well.

I would like to now yield to the gentleman from Missouri, Mr. Symington.

Mr. SYMINGTON. Mr. Speaker, I thank the gentleman from Illinois, our esteemed president, Mr. Erlenborn, for

this opportunity to present to the gentleman from Florida, our former president, Mr. Frey, on behalf of the Association of Former Members of Congress, this Moroccan leather-bound copy of ''Inside the House,'' the collection of congressional memoirs, perceptions and insights which he conceived, inspired, doggedly pursued, co-authored and proofread.

Mr. FREY. Not perfectly.

Mr. SYMINGTON. For the edification of students and teachers of government, current and future legislators, and the American people. It is inscribed, ''For the Honorable Lou Frey, Jr., with the admiration and esteem of his grateful colleagues.''

□ 1015

Mr. ERLENBORN. Mr. Speaker, in addition to financial support, the Association benefits enormously from the effort and leadership of many people. I want to thank the officers of the Association, Larry LaRocco, Vice President; Jack Buechner, Treasurer; Jim Slattery, Secretary; and Matt McHugh, the immediate past President, and the members of our board of directors and our counselors who are providing the excellent guidance and support necessary to oversee these activities.

In addition, we are assisted by the auxiliary of the Association, now led by Nancy Buechner. We are particularly grateful for their help with the ''Life After Congress'' seminars and our annual dinners.

Needless to say, our programs could not be so effectively run without the exceptional support provided by our staff, Linda Reed, Executive Director; Peter Weichlein, Program Director, with special responsibility for the Congressional Study Group on Germany; Katrinka Stringfield, Executive Assistant; and Jamie Pearson, Receptionist. Many thanks to all of you.

The Association also maintains close relations with the counterpart associations of former members of parliaments in other countries. I am pleased to recognize and welcome Barry Turner, the President of the Canadian Association of Former Parliamentarians, and Richard Balfe, Member of the European Parliament, who are here to find out some of the ways that our Association has functioned over the past and as part of an effort of beginning a new former Members of the European Parliament Association. I hope that you have found a lot of help here with some ideas for your new association.

Mr. Speaker, it is now my sad duty to inform the House of those persons who have served in Congress and have passed away since our report last year. The deceased Members of Congress are:

Homer E. Abele, Ohio;
William H. Ayres, Ohio;
Herbert H. Bateman, Virginia;
Marion T. Bennett, Missouri;
William T. Cahill, New Jersey;
Alan Cranston, California;
Paul D. Coverdell, Georgia;
Julian C. Dixon, California;
Henry B. Gonzalez, Texas;
Paul G. Hatfield, Montana;
Allan T. Howe, Utah;
Robert J. Huber, Michigan;
James M. Leath, Texas;
John V. Lindsay, New York;
Koln G. McKay, Utah;
James D. ''Mike'' McKevitt, Colorado;
Helen S. Meyner, New Jersey;
James H. Morrison, Louisiana;
John O. Pastore, Rhode Island;
L. Richardson Preyer, North Carolina;
William J. Randall, Missouri;
John G. Schmitz, California;
Timothy P. Sheehan, Illinois;
Norman Sisisky, Virginia;
Joe Skubitz, Kansas;
William G. Stratton, Illinois;
Bruce F. Vento, Minnesota;
E.S. Johnny Walker, New Mexico;
Sidney R. Yates, Illinois.

I respectfully ask all of you to rise for a moment of silence in their memory.

Thank you.

As you know, each year the Association presents a Distinguished Service Award to an outstanding public servant, and, Jack, I know you have been waiting, thinking we were bringing the program to a conclusion without remembering your part in this ceremony today.

The award normally rotates between the parties, as do our officers. Last year, we became totally nonpartisan and presented the award to former House Chaplain James David Ford. This year, we are pleased to be honoring an outstanding Republican, Jack Kemp.

Jack is a native of California. After graduation from Occidental College, he began his 13-year career as a professional football quarterback. After serving as captain of the San Diego Chargers, he moved east and became captain of the Buffalo Bills, whom he quarterbacked to the American Football League championship in 1964 and 1965, when he was named the league's Most Valuable Player. He cofounded the American Football League Players Association and was five times elected president of that association.

His public service began with 18 years of service from 1971 to 1989 in the House of Representatives, representing the Buffalo area and western New York, during which he served for 7 years in the Republican leadership as Chairman of the House Republican Committee. After leaving Congress, Jack served for 4 years as Secretary of Housing and Urban Development. In 1995, he served as Chairman of the National Commission on Economic Growth and Tax Reform. Jack received the Republican Party's nomination for Vice President in August of 1996, and since then has campaigned nationally for reform of taxation, Social Security and education.

Jack currently is codirector of Empower America, a public policy and advocacy organization that he founded in 1993 with William Bennett and Ambassador Jeane Kirkpatrick.

Jack, will you please come and join me in the well.

To the gentleman from New York, on behalf of the Association, I am delighted to present our Distinguished Service Award to you, Jack. The plaque is inscribed as follows.

Here, I will let you read along to see if I get it right.

Mr. KEMP. I trust you.

Mr. ERLENBORN. ''Presented by the U.S. Association of Former Members of Congress to the Honorable Jack Kemp for your outstanding performance in the world of sports, public service and private life. As a star professional football player, a Member of Congress for 18 years and a member of the leadership of the Republican Party, you distinguished yourself. Your nomination for Vice President in 1996 and service as Secretary of Housing and Urban Development for 4 years added to an already impressive list of accomplishments. We know that you still are dedicated to public service, and we salute you. Washington, D.C., May 2, 2001.''

Jack.

Mr. KEMP. Thank you.

Mr. ERLENBORN. Jack, I also am pleased to present you with a scrapbook of letters from your colleagues offering their congratulations, along with mine, for this well-deserved symbol of our respect, appreciation and affection.

We would be pleased to receive some comments from you.

Mr. KEMP. Well, first of all, thank you so very much. It is a great honor. John, thank you for your kind comments.

I just have a few remarks that I would like to make. I ask unanimous consent to revise and extend my remarks.

Mr. LAROCCO. So ordered.

Mr. KEMP. Thank you. Like my other speeches.

To be introduced as a former professional football quarterback and a former Member of the House of Representatives and a former Secretary of Housing and Urban Development and a former next Vice President of the United States for about 2½ months in 1996, my grandson in Seattle, Washington, introduced me to his Sunday school class in Seattle, Washington, one time as ''a former very important public serpent.''

I am thrilled today to be joined by my wife, Joanne, many of you know her, my granddaughter, Babbi, and daughter, Jennifer. My son, Jimmy was here with his two sons, our 12th and 13th grandchildren. We did not have any grandchildren when I came to Congress. We had four children. They subsequently all got married and have wonderful families.

I am very grateful to have served with you, many of you, in this body, to think and reflect upon the wonderful times through which we went, as well as the great challenges that we faced.

It is pretty well-known that I am known as the Hubert Humphrey of the Republican Party. He said one time that he did not think he spoke too long, because he enjoyed every minute of his speeches.

Having served for 18 years in this body, and to hear Members of the House on both sides of the aisle reflect upon this House of Representatives and how much it means to them, I wanted to thank the Association, thank Lou Frey, former President, and you, John, as the new President. Lindy, I too want to salute you as our Ambassador to the Vatican. And to think as I stand here that I served with Hale Boggs.

It is overwhelming to come back. I feel a little bit like I did when I went back to Buffalo for a reunion of my old championship team. They showed a film of my highlights. There were a couple of bubble gum cards and a photograph or two. But they played Gladys Knight and the Pips singing ''Memories, the Way We Were.''

I can remember watching a football spiral through the air in slow motion, and I realized that I would never throw a football again, maybe with my grandchildren, but not in professional ranks, and I really had a tear in my eye going back and thinking that I would never do that again. And to stand here today in front of you, so many of whom I served with, makes me realize that I will never do this again. I doubt if I will ever give a speech on the floor or from the well of the House.

To look at you and realize the friendships we made, I came during the Vietnam War, there was Watergate, the cul-de-sac of the economy into which we had burst in the late 1970s, inflation, unemployment, an energy crisis of unbelievable proportions. And, Bob Michel, to have served with you and Gerry Ford as my leaders, it really does flood my mind's eye with memories.

But I will not go into it except to say it was the greatest honor of my life, other than to get this award, to be recognized for a legislative career that spanned those 18 years. To see Bobby Garcia over here, with whom one day in the late 1970s when Governor Munoz Marin died and Bobby got up and memorialized him, and I was over on the Republican side, had read about him, never met him obviously, but when Bobby Garcia spoke and CHARLIE RANGEL spoke, I said, would you mind if a Republican helped memorialize the great career and leadership of Munoz Marin?

I got up and I said, he was the author of Operation Bootstrap in Puerto Rico, and I thought, would it not be wonderful, Bob, if we could do that for the South Bronx, and, CHARLIE RANGEL, if we can do it for Harlem, and Buffalo, and Watts, Los Angeles, and East L.A. and East St. Louis and all the areas of urban America that had been troubled by the problems of our deteriorating inner cities.

It was at that moment, having never met Bob and having never met CHARLIE RANGEL, I walked across that center aisle and shook hands, met them, became fast friends of both RANGEL and Garcia, and that became the Enterprise Zone, Operation Bootstrap, that I stole from Luis Munoz Marin.

Every idea I ever had in this body I stole from someone else. The Kemp-Roth bill was stolen from John F. Kennedy; privatization of housing was stolen from Abraham Lincoln's idea of homesteading. I guess my mother was right when she said, ideas, no one has a proprietary right over an idea. They are universal, and when you share them with each other, you do not lose anything. It is a win-win.

I like to think that some of us, and I know that many of you have, have had a huge impact upon this democratic system of ours. I want to thank my colleagues from the Democratic side of the aisle for all that they have meant to me. The Bible says he who wrestles with us strengthens us.

□ 1030

I think I have been strengthened by the debates in this Chamber. I know you have, too. That really means a lot to me.

I appreciate the civility. Yes, we used to go at it hammer and tongs, but there was great civility. I realize that you can disagree without being disagreeable. I must say, some of my best friends are not only on the Republican side of the aisle, but on the Democratic side of the aisle. I appreciate that. The best friends I made in football were the guys who used to beat me up on Sunday, and oh, did they beat me up. But I appreciate that and I am stronger for it.

Many of the ideas I had at HUD came from this body, things that I wanted to do when I got into that huge agency to help urban America.

So I just want to close with the thought that we all served, or many or most of us served, when democracy was in retreat. There was an evil empire. There was a Berlin Wall. There were walls of segregation and discrimination.

Many of them have come down. This hemisphere today, 97 percent of this hemisphere freely elect their leaders. When Buchanan, John Buchanan and I were here, I think it was something like 25 percent. I am reminded of the words of Benito Juarez, the great President of Mexico, who said, ''Democracy is the ultimate destiny of all mankind.''

I really believe that. I believe that freedom and democracy is the ultimate destiny of all mankind. There is a struggle. There is always a struggle. But we are on the side of history. This House is at the epicenter of a revolution taking place around the world.

So as I conclude my remarks, particularly with a member of the European Parliament here that we all welcome and a great Brit, may I say to all of you, stop and think in this year of our Lord 2001 that 225 years ago on this Earth, think back to July of 1776. There was a Holy Roman Empire. Venice was a Republic. France was ruled by a king, China by an emperor, Russia by an empress, Great Britain was a monarchy, Japan was ruled by Shogun.

All of those regimes and systems have passed into the pages of the history book. There is really only one that has lasted for 225 years with its basic, rudimentary, democratic form of government and Constitution. That is this little experiment in human freedom and democracy founded on the northeastern shores of North America by a group of men and women who founded a nation predicated upon the inalienable right of people to be free, the inalienable right of all of us to freedom and democratic rule, and the inalienable right to life, liberty, and the pursuit of happiness.

It is pretty amazing that those words of Jefferson 225 years ago are quoted from Wenceslaus Square in the Czech Republic in Prague to Tiananmen Square in Beijing. They are not dead, they are alive, and we are part of that history.

I get a chill standing here telling you how honored I am to have been your colleague, to have been your friend, to have wrestled and argued and debated and discussed and talked and talked and talked, I am sure you would think. But how else would people learn if I did not?

Thank you for this award. Thank you for the association. Thank you for your friendship. Thanks for honoring Jack and Joanne Kemp, because I could not have done it without my wonderful partner of 42 years and 13 grandchildren later. Like all of us, that was the greatest decision of my life. I love you.

Mr. ERLENBORN. Thank you again, Jack, for your friendship and service.

Mr. Speaker and members of the association, we are honored and proud to serve in the U.S. Congress. We are continuing our service to our Nation in other ways now, but hopefully ones that are equally as effective.

Again, thank you for letting us return today to this Chamber. This concludes our 31st Annual Report by the U.S. Association of Former Members of Congress. Thank you.

Mr. LAROCCO (presiding). The Chair again wishes to thank the former Members of the House for their presence here today. Before terminating these proceedings, the Chair would like to invite those former Members who did not respond when the roll was called to give their names to the Reading Clerks for inclusion on the roll.

The Chair wishes to thank the other former Members of the House for their presence here today.

Good luck to all.

The Chair announces that the House will reconvene at 10:45 a.m.

Accordingly (at 10 o'clock and 34 minutes a.m.), the House continued in recess.

□ 1045

AFTER RECESS

The recess having expired, the House was called to order by the Speaker pro tempore (Mr. BASS) at 10 o'clock and 45 minutes a.m.

PRINTING OF PROCEEDINGS HAD DURING RECESS

Mr. GIBBONS. Mr. Speaker, I ask unanimous consent that the proceedings had during the recess be printed in the CONGRESSIONAL RECORD and that all Members and former Members who spoke during the recess have the privilege of revising and extending their remarks

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Nevada?

There was no objection.

KEEP PUBLIC LANDS PUBLIC

(Mr. GIBBONS asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. GIBBONS. Mr. Speaker, the new administration has certainly had its hands full reviewing hundreds of hastily conceived and poorly drafted regulations issued in the waning hours of the Clinton administration.

For example, the Clinton roadless initiative proposes to protect the environment by slamming the door and locking up 58 million acres of public land from public access. Certainly we need to protect our public lands and our sensitive lands, but this rule does not only prohibit the construction of new roads in these areas, it also closes thousands of existing roads used by Americans to enjoy firsthand the beauty of our public lands. Closing off public lands should be made only on a case-by-case basis and not by hurried and executive edicts.

Protecting our pristine environment does not justify banning Americans from accessing and enjoying these lands. We must revise any roadless initiative which would force Americans to experience the beauty of our lands by looking into a photograph instead of experiencing and appreciating nature's magnificence in a firsthand measure.

STRIKING THE GAG RULE

(Mrs. MALONEY of New York asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Mrs. MALONEY of New York. Mr. Speaker, I rise as a strong supporter of international family planning and in strong opposition to the antiwoman gag rule which is being debated before the Committee on International Relations right now.

First and foremost, this debate is not about abortion; it is about women dying to the tune of over 600,000 a year. That is the equivalent of a jumbo jet crashing each day. And it is about saving women's lives.

The fact remains that since 1973, no U.S. Federal funds can be used around the world for abortion. Let me be clear: the global gag rule is about restricting foreign nongovernmental organizations in the use of their own money. This language would be unconstitutional in our own country, and it is unconscionable that we are exporting it to some of the world's poorest countries where it affects some of the world's poorest women.

The gag rule is enough to make me gag. It exports the worst of American internal politics. I urge a ''no'' vote in committee and a ''yes'' vote for the amendment of the gentlewoman from California (Ms. LEE).

HOUSING OPPORTUNITIES FOR PERSONS WITH AIDS

(Ms. ROS-LEHTINEN asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Ms. ROS-LEHTINEN. Mr. Speaker, the HOPWA program, or the Housing Opportunities for Persons with AIDS, is the only Federal program that helps the housing crisis facing people with AIDS.

Rental help, mortgage assistance, help with utility payments, and information on low-income housing opportunities are some of the ways in which HOPWA helps low-income persons with AIDS in securing stable living environments and in living longer and in more productive lives.

Unfortunately, there is an estimated 40,000 new AIDS cases reported every year, and the demands for housing that will provide for the safety and stability for these individuals to benefit from drug treatments greatly outweighs the resources currently available. President Bush, however, has proposed to allocate $277 million in his budget, an increase of $57 million from last year's budget, to address the housing crisis facing people with AIDS.

I urge my colleagues to consider funding HOPWA and alleviate the growing needs of individuals living with HIV and AIDS.

GLOBAL GAG RULE

(Ms. WOOLSEY asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Ms. WOOLSEY. Mr. Speaker, family planning saves lives. Whether we are talking about Sonoma County, California, or Somalia, women who have control over their reproductive health are better off, and so are their families. That is why we must repeal the global gag rule.

Denying women around the world access to a full range of reproductive choices not only limits their health care options, it leaves women trapped in abusive relationships; held back by a lack of education and financial stability, and unable to care for themselves and their families. That is not acceptable.

Today, the Committee on International Relations will take up the measure offered by the gentlewoman from California (Ms. LEE) to end the global gag rule. I urge my colleagues on the committee and throughout this House to vote ''yes'' on her legislation and vote ''yes'' for women's rights around the world.

Make no mistake, Mr. Speaker, the global gag rule will cost women around the world their lives. Women in the United States may enjoy reproductive freedom today, but our rights are only as safe as the rights of all women.

ESTABLISHMENT OF COMMISSION TO STUDY ASSISTANCE PROGRAMS

(Mr. PETRI asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. PETRI. Mr. Speaker, I am today introducing legislation to establish a commission to take a comprehensive look at assistance programs and ways to reduce the disincentives that result when they are phased out.

Our task must be to help people move from subsidized jobs into self-sufficiency. Current welfare and tax policies put up tremendous roadblocks to that goal, as each time a low-income worker increases his or her income, the Government takes all or most of the increase away.

The miracle is that there are some who, perhaps out of pride, work their way out of this lower-income range. We must focus on this problem and look for solutions. The commission provided for in the legislation I am introducing today will help us do that, and I urge my colleagues to cosponsor this initiative.

THE SELL-OUT OF AMERICA

(Mr. TRAFICANT asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. TRAFICANT. Mr. Speaker, the Great Lakes are now open. The first foreign ship to dock in Cleveland, Ohio, carried 10,000 tons of steel from Russia. While mills are closing in Cleveland, Youngstown, and Pittsburgh, steel mills are closing all over America. Ten thousand tons of illegally dumped steel just came in to America. Unbelievable.

Think about it. It is getting so bad the Army almost bought, without Congress' interference, black berets for the Army from China. Beam me up. If our trade program is so good, why does Europe not do it? Why does Japan not do it? Why does China not do it?

I think it is time to put things in order in America, my colleagues. Enough is enough. I yield back the sell-

out of America, wholesale, to Communist dictators, and the loss of jobs to these socialist, communist countries.

TRIBUTE TO FORT BRAGG PERSONNEL

(Mr. HAYES asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. HAYES. Mr. Speaker, I rise to congratulate the men and women at Fort Bragg, North Carolina, who once again have earned the Commander-in-Chief Award for the Army Communities of Excellence program.

For those who might not know, this is an award similar to the civilian Malcolm Baldridge Award for Quality. Today, Fort Bragg personnel, both military and civilian alike, will be recognized for a superior level of performance in meeting the needs of its soldiers, family members, and employees.

I have visited a number of military installations throughout the world, and nowhere have I seen better morale than at Fort Bragg. The Commander-in-Chief Award recognizes officially what many of us living in the 8th District of North Carolina already knew: Fort Bragg is the crown jewel of the Army, the epicenter of the universe.

Mr. Speaker, I ask my colleagues to join me in applauding the men and women who make Fort Bragg the finest facility in the Nation and in the world.

CINCO DE MAYO

(Mr. BACA asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BACA. Mr. Speaker, this week is the week of Cinco de Mayo, a time to celebrate the courage and bravery of Mexican Americans. Cinco de Mayo, the 5th of May, commemorates the defeat of the French Army, which outnumbered the Mexican Army in 1862.

Cinco de Mayo serves as a reminder that the foundation of this Nation was built by people from many nations and diverse cultures who are willing to fight and die for freedom. The celebration is a symbol of pride, tradition and cultural awareness, a day telling our Nation that we need to come together and learn to respect each other's cultures and traditions in order to understand one another.

I have introduced House Concurrent Resolution 85, which calls for a Presidential proclamation recognizing the struggle of the Mexican American people.

To raise awareness of Cinco de Mayo on Capitol Hill, I have invited the Inland Empire Mariachi Education Foundation of Southern California to perform at the U.S. Capitol. This organization is dedicated to inspiring young people to achieve leadership potential and teaching mariachi music to young people after school and instilling pride in their culture and tradition.

My daughter, Jennifer Baca, is one of the performers; and I am very proud of her. They have traveled from Southern California, and they will be performing here.

We will learn more about the cultures and traditions of the Mexicans on Cinco de Mayo as we all celebrate together.

PROPOSED CHANGE TO AMENDMENT VIII OF THE CONSTITUTION

(Ms. CARSON of Indiana asked and was given permission to address the House for 1 minute and to revise and extend her remarks.)

Ms. CARSON of Indiana. Mr. Speaker, yesterday, Law Day 2001, I introduced House Joint Resolution 46 to change the wording of constitutional amendment VIII.

Last week, the United States Supreme Court decided a case known as Atwater v. The City of Lago Vista. In doing so, they shocked the Nation and those everywhere who believe in rational and traditional limits on the power and reach of government to deal with the people. They concluded that police may arrest and jail people for offenses for which no incarceration may be imposed in upholding the arrest of a mother, in front of her children and her detention until she could arrange to post bail because she was not using her seatbelt.

We used to joke about being arrested for spitting on the sidewalk; now we have life imitating art. Why must common sense be so uncommon in seats of high authority? Why should common sense be so uncommon in the United States?

I do not author constitutional amendments lightly. Restraint is fundamental to the Constitution's survival. But drastic threats to freedom sometimes require drastic measures. This is the only way to overrule the incredibly bad judgment of the majority of Justices on the U.S. Supreme Court. The court's minority is to be commended. They are freedom-loving patriots.

Police States are not the United States. It is time to act. This is the language of the amendment, that says that ''excessive bail shall not be required, nor excessive fines imposed, nor cruel and unusual punishments,'' and I propose to add the language, ''including incarceration, before or after trial, for minor offenses not punishable by incarceration,'' then ending with the word ''inflicted.''

I would respectfully ask my colleagues to draw together to support this vital change in the most basic law to better protect all who share our most precious values of freedom, better weaving that value into the fabric of our law.

□ 1100

SUPPORT BOYS AND GIRLS CLUBS IN BUDGET PRIORITIES

(Mr. BARCIA asked and was given permission to address the House for 1 minute and to revise and extend his remarks.)

Mr. BARCIA. Mr. Speaker, I rise to speak on a subject that is very dear to my heart, the Boys and Girls Clubs of America. We all know that boys and girls who are involved in their local clubs are less likely to get into trouble and more likely to lead productive and successful lives. Simply put, the 2,850 Boys and Girls Club sites across the country, which are located in our Nation's most at-risk communities, help young people avoid many of the pitfalls into which so many of our youth fall. They provides a springboard for the young men and women to start the rest of their lives.

Mr. Speaker, that is why I was so disappointed to learn that President Bush has cut the funding for the Boys and Girls Clubs. With the well-publicized troubles that many families are experiencing as a result of parents working longer hours each day, and increased concerns regarding juvenile crime, I can think of no better investment that the Federal Government can make than to provide young people with a safe environment in the after-school hours, when they are most vulnerable, which is precisely what the Boys and Girls Clubs do.

Mr. Speaker, I strongly urge all of my colleagues to think about the Boys and Girls Clubs when they consider their budget priorities, and give them the funding that they deserve.

PROVIDING FOR CONSIDERATION OF H.R. 10, COMPREHENSIVE RETIREMENT SECURITY AND PENSION REFORM ACT OF 2001

Mr. REYNOLDS. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 127 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

H. RES. 127

Resolved, That upon the adoption of this resolution it shall be in order without intervention of any point of order to consider in the House the bill (H.R. 10) to provide for pension reform, and for other purposes. The bill shall be considered as read for amendment. In lieu of the amendment recommended by the Committee on Ways and Means and the amendment recommended by the Committee on Education and the Workforce now printed in the bill, the amendment in the nature of a substitute printed in the Congressional Record and numbered 1 pursuant to clause 8 of rule XVIII shall be considered as adopted. The previous question shall be considered as ordered on the bill, as amended, and on any further amendment thereto to final passage without intervening motion except: (1) 90 minutes of debate on the bill, as amended, with 60 minutes equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means and 30 minutes equally

divided and controlled by the chairman and ranking minority member of the Committee on Education and the Workforce; (2) the further amendment printed in the report of the Committee on Rules accompanying this resolution, which may be offered only by a Member designated in the report, shall be in order without intervention of any point of order, shall be considered as read, and shall be separately debatable for one hour equally divided and controlled by the proponent and an opponent; and (3) one motion to recommit with or without instructions.

The SPEAKER pro tempore (Mr. BASS). The gentleman from New York (Mr. REYNOLDS) is recognized for 1 hour.

Mr. REYNOLDS. Mr. Speaker, for the purpose of debate only, I yield the customary 30 minutes to the gentlewoman from New York (Ms. SLAUGHTER), pending which I yield myself such time as I may consume. During consideration of this resolution, all time yielded is for the purpose of debate only.

(Mr. REYNOLDS asked and was given permission to revise and extend his remarks, and include extraneous material.)

Mr. REYNOLDS. Mr. Speaker, last night the Committee on Rules met and granted a modified closed rule for H.R. 10, the Comprehensive Retirement Security and Pension Reform Act of 2001. The rule provides for 90 minutes of general debate with 60 minutes equally divided and controlled by the chairman and the ranking member of the Committee on Ways and Means, and 30 minutes equally divided and controlled by the chairman and ranking member of the Committee on Education and the Workforce.

Additionally, the rule waives all points of order against consideration of the bill and against consideration of the amendment printed in the report.

The rule provides that in lieu of the amendments recommended by the Committee on Ways and Means and the Committee on Education and the Workforce, the amendment in the nature of a substitute printed in the CONGRESSIONAL RECORD and numbered 1 shall be considered as adopted.

The rule also provides for consideration of the amendment in the nature of a substitute, printed in the Committee on Rules report, if offered by the gentleman from New York (Mr. RANGEL) or his designee, which shall be considered as read and shall be separately debatable for 1 hour, equally divided and controlled between a proponent and an opponent.

Finally, the rule provides for one motion to recommit with or without instructions.

Mr. Speaker, this is a fair rule for reform of our Nation's pension and retirement security laws. This is clearly a balanced, bipartisan measure and this rule provides for a minority substitute and comprehensive debate.

Mr. Speaker, in the Second Century, B.C., Cato the Elder, a Roman statesman, orator and writer, noted that ''cessation of work is not accompanied by cessation of expenses.''

In the next 15 years, some 76 million baby boomers will retire. But less than 40 percent of these retirees have invested enough to enjoy a comfortable, secure retirement.

While people are living longer and healthier lives, our retirement systems simply have not kept pace. According to the Department of Labor, nearly half of all private sector workers will have no pension coverage, and only one-fifth of small businesses with 25 or fewer employees offer a pension plan.

Individual Retirement Accounts provide a critically needed source of retirement savings for millions of workers currently lacking pension coverage, including the self-employed, part-time workers, and many small business employees. These are not the very wealthy, but instead, hard-working, middle-income Americans who would invest and save more money if only it was not for one significant barrier in their way, government regulations.

The $2,000 IRA contribution limit has not been changed since 1981, and a lot has happened in 20 years. The absence of growth in retirement coverage since 1980 is simply unacceptable.

Since 1990, pension coverage has declined from 40 to 33 percent among workers making less than $20,000; and despite record surpluses in the Federal Government, the personal savings rate has dropped every year since 1992 and is at its lowest point in 66 years.

Currently, these high costs and complicated requirements prevent many employers from offering retirement options to their employees. It is time that we simplify the regulatory barriers and update our retirement systems. Let us make it easier for employers to help their employees and easier for employees to help themselves.

The underlying bipartisan bill is critical to the financial and retirement security of countless Americans. H.R. 10 will strengthen Individual Retirement Accounts, 401(k) plans and small business retirement plans, finally bringing retirement savings to the 21st century.

The Comprehensive Retirement Security and Pension Reform Act increases the old IRA contribution limit from $2,000 to $5,000 over the next 3 years for both traditional and Roth IRAs.

One of the most important measures of H.R. 10 is that it includes a fairness provision to allow workers over 50 years of age to catch up in contributions for 401(k) plans by increasing the contribution level immediately.

This bipartisan measure will remove excessive, burdensome and unnecessary Federal regulations, providing relief to American businesses and workers by encouraging small businesses to offer pension plans. By removing these restrictions, Americans will be allowed the freedom to invest in their future as never before.

Mr. Speaker, H.R. 10 is a fair, balanced, and bipartisan plan that will help millions of Americans. I would like to commend the chairman of the Committee on Ways and Means, the gentleman from California (Mr. THOMAS), and the ranking member, the gentleman from New York (Mr. RANGEL) for their hard work on this measure.

In addition, I would like to commend the gentleman from Ohio (Mr. PORTMAN), and the gentleman from Maryland (Mr. CARDIN), the sponsors of underlying legislation for their dedication to pension and retirement reform.

Mr. Speaker, I would like to remind this body that nearly an identical measure had overwhelming bipartisan support in the 106th Congress. I urge my colleagues to once again support this fair rule.

Mr. Speaker, I reserve the balance of my time.

Ms. SLAUGHTER. Mr. Speaker, I yield myself such time as I may consume.

(Ms. SLAUGHTER asked and was given permission to revise and extend her remarks.)

Ms. SLAUGHTER. Mr. Speaker, I thank the gentleman from New York for yielding me the customary 30 minutes.

Mr. Speaker, this is a modified closed rule. H.R. 10 deserves full and open debate, and an open rule would have ensured that no one would have been shut out of the process.

The gentlewoman from New York (Ms. VELÁZQUEZ) would have been able to offer her amendment to make the benefits of the underlying bill available to employees of small businesses; and the gentlewoman from Maryland (Mrs. MORELLA) would have been able to offer her amendment to make Federal employees eligible to participate in the benefits of the underlying bill.

Nevertheless, Mr. Speaker, I strongly support expanding opportunities for working Americans to save for their retirement, which are the underlying goals for H.R. 10. Congress must ensure that no segment of our workforce is excluded from the opportunity to financially improve their retirement years.

The pressure to save adequately for retirement affects all working Americans. H.R. 10 includes a number of provisions which improve current protections for workers and retirees. It encourages rollovers of pension plans when workers switch employment, and eliminates compensation caps that unfairly affect pension benefits of rank-and-file workers.

Specifically, H.R. 10 increases the annual IRA contributions from $2,000 to $5,000. It increases the amount that individuals can contribute to 401(k) plans from $10,000 up to $15,000. Also, it allows taxpayers age 50 and above to contribute an additional $5,000 to an IRA. The bill allows workers to become vested and eligible for employer-matching contributions in 3 years rather than 5.

Currently, more people are joining the workforce than are receiving pension coverage. Only half of the workforce is covered by a pension plan. And worse, there is reason to believe that it

will not provide them with an adequate level of supplemental income in retirement.

Although there is insufficient data to measure contributions and benefits, data from the Federal Reserve shows pension plan contributions declining by 50 percent in recent years. The underlying bill could be strengthened to ensure opportunities for those low- and moderate-income workers with few or no opportunities to save. We must continue to work together to improve this aspect of the bill.

Statistics confirm that low-income workers are far less likely to participate in an employment-based retirement saving plan than workers with higher incomes, even when the plan is available to them. Only 29 percent of full-time workers with earnings below $20,000 annually are covered by pensions. On the other hand, 76 percent of those earning above $60,000 annually have coverage.

During consideration of the underlying bill, my colleagues, the gentleman from New York (Mr. RANGEL) and the gentleman from Massachusetts (Mr. NEAL) will offer a substitute which incorporates the text of H.R. 10, as well as provisions to encourage the participation of low-income workers.

Specifically, the substitute provides a refundable credit for low- and middle-income workers who save for their retirement; and it makes small business employees eligible to claim a tax credit for establishing a qualified pension plan. That is most important.

Mr. Speaker, I urge my colleagues to support these important improvements to the bill.

Mr. Speaker, I yield back the balance of my time.

Mr. REYNOLDS. Mr. Speaker, I yield back the balance of my time, and I move the previous question on the resolution.

The previous question was ordered.

The SPEAKER pro tempore. The question is on the resolution.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Ms. SLAUGHTER. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

Pursuant to clause 8 of rule XX, this 15-minute vote on adopting the resolution will be followed by a 5-minute vote on approving the Journal.

The vote was taken by electronic device, and there were—yeas 404, nays 24, not voting 3, as follows:

[Roll No. 92]

YEAS—404

Abercrombie
Ackerman
Aderholt
Akin
Allen
Andrews
Armey
Baca
Bachus
Baird
Baker
Baldacci
Baldwin
Ballenger
Barcia
Barr
Barrett
Bartlett
Barton
Bass
Becerra
Bentsen
Bereuter
Berkley
Berman
Berry
Biggert
Bilirakis
Bishop
Blagojevich
Blumenauer
Blunt
Boehlert
Boehner
Bonilla
Bonior
Bono
Borski
Boswell
Boucher
Boyd
Brady (PA)
Brady (TX)
Brown (FL)
Brown (OH)
Brown (SC)
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Camp
Cannon
Cantor
Capito
Capps
Capuano
Cardin
Carson (IN)
Carson (OK)
Castle
Chabot
Chambliss
Clay
Clayton
Clement
Clyburn
Coble
Collins
Combest
Condit
Cooksey
Costello
Cox
Coyne
Cramer
Crane
Crenshaw
Crowley
Cubin
Culberson
Cummings
Cunningham
Davis (CA)
Davis (FL)
Davis (IL)
Davis, Jo Ann
Davis, Tom
Deal
DeGette
Delahunt
DeLauro
DeLay
DeMint
Diaz-Balart
Dicks
Dingell
Doggett
Dooley
Doolittle
Doyle
Dreier
Duncan
Dunn
Edwards
Ehlers
Ehrlich
Emerson
Engel
English
Eshoo
Etheridge
Evans
Everett
Farr
Fattah
Ferguson
Flake
Fletcher
Foley
Ford
Fossella
Frelinghuysen
Frost
Gallegly
Ganske
Gekas
Gephardt
Gibbons
Gilchrest
Gillmor
Gilman
Gonzalez
Goode
Goodlatte
Gordon
Goss
Graham
Granger
Graves
Green (TX)
Green (WI)
Greenwood
Grucci
Gutierrez
Gutknecht
Hall (OH)
Hall (TX)
Hansen
Harman
Hart
Hastings (WA)
Hayes
Hayworth
Hefley
Herger
Hill
Hilleary
Hinojosa
Hobson
Hoeffel
Hoekstra
Holden
Holt
Honda
Hooley
Horn
Hostettler
Houghton
Hoyer
Hulshof
Hunter
Hutchinson
Hyde
Inslee
Isakson
Israel
Issa
Istook
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Jenkins
John
Johnson (IL)
Johnson, E. B.
Johnson, Sam
Jones (NC)
Jones (OH)
Kanjorski
Kaptur
Keller
Kelly
Kennedy (MN)
Kennedy (RI)
Kerns
Kildee
Kilpatrick
Kind (WI)
King (NY)
Kingston
Kirk
Kleczka
Knollenberg
Kolbe
Kucinich
LaFalce
LaHood
Lampson
Langevin
Lantos
Largent
Larsen (WA)
Larson (CT)
Latham
LaTourette
Leach
Levin
Lewis (CA)
Lewis (GA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lofgren
Lowey
Lucas (KY)
Lucas (OK)
Luther
Maloney (CT)
Maloney (NY)
Manzullo
Markey
Mascara
Matheson
McCarthy (MO)
McCarthy (NY)
McCollum
McCrery
McHugh
McInnis
McIntyre
McKeon
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Mica
Millender-McDonald
Miller (FL)
Miller, Gary
Miller, George
Mink
Mollohan
Moore
Moran (KS)
Moran (VA)
Morella
Murtha
Myrick
Nadler
Napolitano
Nethercutt
Ney
Northup
Norwood
Nussle
Ortiz
Osborne
Ose
Otter
Oxley
Pallone
Pascrell
Pastor
Paul
Payne
Pelosi
Pence
Peterson (MN)
Peterson (PA)
Petri
Phelps
Pickering
Pitts
Platts
Pombo
Pomeroy
Portman
Price (NC)
Pryce (OH)
Putnam
Quinn
Radanovich
Rahall
Ramstad
Rangel
Regula
Rehberg
Reyes
Reynolds
Riley
Rivers
Rodriguez
Roemer
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Ross
Rothman
Roukema
Roybal-Allard
Royce
Rush
Ryan (WI)
Ryun (KS)
Sanchez
Sandlin
Sawyer
Saxton
Scarborough
Schaffer
Schakowsky
Schiff
Schrock
Scott
Sensenbrenner
Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Sherwood
Shimkus
Shows
Simmons
Simpson
Skeen
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Snyder
Solis
Souder
Spence
Spratt
Stearns
Stenholm
Strickland
Stump
Stupak
Sununu
Sweeney
Tancredo
Tanner
Tauscher
Tauzin
Taylor (MS)
Taylor (NC)
Terry
Thomas
Thompson (CA)
Thompson (MS)
Thornberry
Thune
Thurman
Tiberi
Toomey
Towns
Traficant
Turner
Udall (CO)
Udall (NM)
Upton
Velazquez
Vitter
Walden
Walsh
Wamp
Watkins
Watts (OK)
Waxman
Weiner
Weldon (FL)
Weldon (PA)
Weller
Wexler
Whitfield
Wicker
Wilson
Wolf
Woolsey
Wu
Wynn
Young (AK)
Young (FL)

NAYS—24

Conyers
DeFazio
Deutsch
Filner
Frank
Hastings (FL)
Hilliard
Hinchey
Lee
Matsui
McDermott
McGovern
Neal
Oberstar
Obey
Olver
Owens
Sabo
Sanders
Stark
Tierney
Visclosky
Waters
Watt (NC)

NOT VOTING—3

Johnson (CT)
Moakley
Tiahrt

□ 1139

Messrs. McDERMOTT, HASTINGS of Florida, NEAL of Massachusetts, DEUTSCH, TIERNEY, OLVER, McGOVERN, and Ms. LEE changed their vote from ''yea'' to ''nay.''

Mr. LARSON of Connecticut changed his vote from ''nay'' to ''yea.''

So the resolution was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

THE JOURNAL

The SPEAKER pro tempore (Mr. BASS). Pursuant to clause 8 of rule XX, the pending business is the question of agreeing to the Speaker's approval to the Journal of the last day's proceedings.

The question is on the Speaker's approval of the Journal.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

RECORDED VOTE

Mr. McNULTY. Mr. Speaker, I demand a recorded vote.

A recorded vote was ordered.

The SPEAKER pro tempore. This will be a 5-minute vote.

The vote was taken by electronic device, and there were—ayes 377, noes 47, answered ''present'' 1, not voting 6, as follows:

[Roll No. 93]

AYES—377

Abercrombie
Ackerman
Akin
Allen
Andrews
Armey
Baca
Bachus
Baird
Baker
Baldacci
Baldwin
Ballenger
Barcia
Barr
Barrett
Bartlett
Barton
Bass
Becerra
Bentsen
Bereuter
Berkley
Berman
Berry
Biggert
Bilirakis
Bishop
Blagojevich
Blumenauer
Blunt
Boehlert
Boehner
Bonilla
Bonior
Bono
Boswell
Boucher
Boyd
Brady (TX)
Brown (FL)
Brown (OH)
Brown (SC)
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Camp
Cannon
Cantor
Capito
Capps
Cardin
Carson (IN)
Carson (OK)
Castle
Chabot
Chambliss
Clay
Clayton
Clement
Clyburn
Coble
Collins
Combest
Conyers
Cooksey
Cox
Coyne
Cramer
Crenshaw
Crowley
Cubin
Culberson
Cummings
Cunningham
Davis (CA)
Davis (FL)
Davis (IL)
Davis, Jo Ann
Davis, Tom
Deal
DeFazio
DeGette
Delahunt
DeLauro
DeLay
DeMint
Deutsch
Diaz-Balart
Dicks
Dingell
Doggett
Dooley
Doolittle
Doyle
Dreier
Duncan
Dunn
Edwards
Ehlers
Ehrlich
Emerson
Engel
Eshoo
Evans
Everett
Farr
Fattah
Ferguson
Flake
Fletcher
Foley
Ford
Fossella
Frank
Frelinghuysen
Frost
Gallegly
Ganske
Gekas
Gephardt
Gibbons
Gilchrest
Gillmor
Gilman
Gonzalez
Goode
Goodlatte
Gordon
Goss
Graham
Granger
Graves
Green (TX)
Green (WI)
Greenwood
Grucci
Gutierrez
Gutknecht
Hall (OH)
Hall (TX)
Hansen
Harman
Hart
Hastings (WA)
Hayes
Hayworth
Herger
Hill
Hilleary
Hinojosa
Hobson
Hoeffel
Hoekstra
Holden
Holt
Honda
Horn
Hostettler
Houghton
Hoyer
Hunter
Hyde
Inslee
Isakson
Israel
Issa
Istook
Jackson (IL)
Jackson-Lee (TX)
Jenkins
John
Johnson (IL)
Johnson, E.B.
Johnson, Sam
Jones (NC)
Jones (OH)
Kanjorski
Kaptur
Keller
Kelly
Kennedy (RI)
Kerns
Kildee
Kilpatrick
Kind (WI)
King (NY)
Kingston
Kirk
Kleczka
Knollenberg
Kolbe
Kucinich
LaFalce
LaHood
Lampson
Langevin
Lantos
Largent
Larsen (WA)
Larson (CT)
Latham
LaTourette
Leach
Lee
Levin
Lewis (CA)
Lewis (GA)
Lewis (KY)
Linder
Lipinski
Lofgren
Lowey
Lucas (KY)
Lucas (OK)
Luther
Maloney (CT)
Maloney (NY)
Manzullo
Mascara
Matheson
Matsui
McCarthy (MO)
McCarthy (NY)
McCollum
McCrery
McGovern
McHugh
McInnis
McIntyre
McKeon
McKinney
Meehan
Meek (FL)
Menendez
Mica
Millender-McDonald
Miller (FL)
Miller, Gary
Mink
Mollohan
Moran (KS)
Moran (VA)
Morella
Murtha
Myrick
Nadler
Napolitano
Nethercutt
Ney
Northup
Norwood
Nussle
Obey
Olver
Ortiz
Osborne
Ose
Otter
Owens
Oxley
Pascrell
Paul
Payne
Pelosi
Pence
Peterson (PA)
Petri
Phelps
Pickering
Pitts
Platts
Pombo
Pomeroy
Portman
Price (NC)
Pryce (OH)
Putnam
Quinn
Radanovich
Rahall
Rangel
Regula
Rehberg
Reyes
Reynolds
Riley
Rivers
Rodriguez
Roemer
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Ross
Roukema
Roybal-Allard
Royce
Rush
Ryan (WI)
Ryun (KS)
Sanchez
Sanders
Sandlin
Sawyer
Saxton
Scarborough
Schakowsky
Schiff
Schrock
Scott
Sensenbrenner
Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Sherwood
Shimkus
Shows
Simmons
Simpson
Skeen
Skelton
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Snyder
Solis
Souder
Spence
Spratt
Stearns
Stump
Sununu
Tanner
Tauscher
Tauzin
Taylor (NC)
Terry
Thomas
Thornberry
Thune
Thurman
Tiberi
Tierney
Toomey
Towns
Traficant
Turner
Upton
Velazquez
Vitter
Walden
Walsh
Wamp
Watkins
Watt (NC)
Watts (OK)
Waxman
Weiner
Weldon (FL)
Weldon (PA)
Wexler
Whitfield
Wicker
Wilson
Wolf
Woolsey
Wynn
Young (AK)
Young (FL)

NOES—47

Aderholt
Borski
Brady (PA)
Capuano
Condit
Costello
Crane
English
Etheridge
Filner
Hastings (FL)
Hefley
Hilliard
Hinchey
Hooley
Hulshof
Kennedy (MN)
LoBiondo
Markey
McDermott
McNulty
Miller, George
Moore
Neal
Oberstar
Pallone
Pastor
Peterson (MN)
Ramstad
Rothman
Sabo
Schaffer
Slaughter
Stark
Stenholm
Strickland
Stupak
Sweeney
Taylor (MS)
Thompson (CA)
Thompson (MS)
Udall (CO)
Udall (NM)
Visclosky
Waters
Weller
Wu

ANSWERED ''PRESENT''—1

Tancredo

NOT VOTING—6

Hutchinson
Jefferson
Johnson (CT)
Meeks (NY)
Moakley
Tiahrt

□ 1151

So the Journal was approved.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

PERSONAL EXPLANATION

Mr. TIAHRT. Mr. Speaker, today, I was unavoidably detained and missed rollcall votes Nos. 92 and 93. Rollcall vote No. 92 was on the rule for H.R. 10, ''the Comprehensive Retirement Security and Pension Reform Act of 2001. Rollcall vote No. 93 was on approving the Speaker's approval of the Journal. Had I been present, I would have voted ''yea'' on both the rule on H.R. 10 and on approving the Journal.

COMPREHENSIVE RETIREMENT SECURITY AND PENSION REFORM ACT OF 2001

Mr. THOMAS. Mr. Speaker, pursuant to House Resolution 127, I call up the bill (H.R. 10) to provide for pension reform, and for other purposes, and ask for its immediate consideration in the House.

The Clerk read the title of the bill.

The SPEAKER pro tempore (Mr. BASS). Pursuant to House Resolution 127, the bill is considered read for amendment.

The text of H.R. 10 is as follows:

H.R. 10

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

SECTION 1. SHORT TITLE; REFERENCES; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Comprehensive Retirement Security and Pension Reform Act of 2001''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

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

Sec. 1. Short title; references; table of contents.

TITLE I—INDIVIDUAL RETIREMENT ACCOUNT PROVISIONS

Sec. 101. Modification of IRA contribution limits.

TITLE II—EXPANDING COVERAGE

Sec. 201. Increase in benefit and contribution limits.
Sec. 202. Plan loans for subchapter S owners, partners, and sole proprietors.
Sec. 203. Modification of top-heavy rules.
Sec. 204. Elective deferrals not taken into account for purposes of deduction limits.
Sec. 205. Repeal of coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations.
Sec. 206. Elimination of user fee for requests to IRS regarding pension plans.
Sec. 207. Deduction limits.
Sec. 208. Option to treat elective deferrals as after-tax contributions.

TITLE III—ENHANCING FAIRNESS FOR WOMEN

Sec. 301. Catch-up contributions for individuals age 50 or over.
Sec. 302. Equitable treatment for contributions of employees to defined contribution plans.
Sec. 303. Faster vesting of certain employer matching contributions.
Sec. 304. Simplify and update the minimum distribution rules.
Sec. 305. Clarification of tax treatment of division of section 457 plan benefits upon divorce.
Sec. 306. Modification of safe harbor relief for hardship withdrawals from cash or deferred arrangements.

TITLE IV—INCREASING PORTABILITY FOR PARTICIPANTS

Sec. 401. Rollovers allowed among various types of plans.
Sec. 402. Rollovers of IRAs into workplace retirement plans.
Sec. 403. Rollovers of after-tax contributions.
Sec. 404. Hardship exception to 60-day rule.
Sec. 405. Treatment of forms of distribution.
Sec. 406. Rationalization of restrictions on distributions.
Sec. 407. Purchase of service credit in governmental defined benefit plans.
Sec. 408. Employers may disregard rollovers for purposes of cash-out amounts.
Sec. 409. Minimum distribution and inclusion requirements for section 457 plans.

TITLE V—STRENGTHENING PENSION SECURITY AND ENFORCEMENT
Sec. 501. Repeal of percent of current liability funding limit.
Sec. 502. Maximum contribution deduction rules modified and applied to all defined benefit plans.
Sec. 503. Excise tax relief for sound pension funding.
Sec. 504. Excise tax on failure to provide notice by defined benefit plans significantly reducing future benefit accruals.
Sec. 505. Treatment of multiemployer plans under section 415.
Sec. 506. Protection of investment of employee contributions to 401(k) plans.
Sec. 507. Periodic pension benefits statements.
Sec. 508. Prohibited allocations of stock in S corporation ESOP.
TITLE VI—REDUCING REGULATORY BURDENS
Sec. 601. Modification of timing of plan valuations.
Sec. 602. ESOP dividends may be reinvested without loss of dividend deduction.
Sec. 603. Repeal of transition rule relating to certain highly compensated employees.
Sec. 604. Employees of tax-exempt entities.
Sec. 605. Clarification of treatment of employer-provided retirement advice.
Sec. 606. Reporting simplification.
Sec. 607. Improvement of employee plans compliance resolution system.
Sec. 608. Repeal of the multiple use test.
Sec. 609. Flexibility in nondiscrimination, coverage, and line of business rules.
Sec. 610. Extension to all governmental plans of moratorium on application of certain nondiscrimination rules applicable to State and local plans.
Sec. 611. Notice and consent period regarding distributions.
Sec. 612. Annual report dissemination.
Sec. 613. Technical corrections to SAVER Act.
TITLE VII—OTHER ERISA PROVISIONS
Sec. 701. Missing participants.
Sec. 702. Reduced PBGC premium for new plans of small employers.
Sec. 703. Reduction of additional PBGC premium for new and small plans.
Sec. 704. Authorization for PBGC to pay interest on premium overpayment refunds.
Sec. 705. Substantial owner benefits in terminated plans.
Sec. 706. Civil penalties for breach of fiduciary responsibility.
Sec. 707. Benefit suspension notice.
TITLE VIII—PLAN AMENDMENTS
Sec. 801. Provisions relating to plan amendments.

TITLE I—INDIVIDUAL RETIREMENT ACCOUNTS

SEC. 101. MODIFICATION OF IRA CONTRIBUTION LIMITS.

(a) INCREASE IN CONTRIBUTION LIMIT.—

(1) IN GENERAL.—Paragraph (1)(A) of section 219(b) (relating to maximum amount of deduction) is amended by striking ''$2,000'' and inserting ''the deductible amount''.

(2) DEDUCTIBLE AMOUNT.—Section 219(b) is amended by adding at the end the following new paragraph:

''(5) DEDUCTIBLE AMOUNT.—For purposes of paragraph (1)(A)—

''(A) IN GENERAL.—The deductible amount shall be determined in accordance with the following table:

''For taxable years beginning in:	The deductible amount is:
2001	$3,000
2002	$4,000
2003 and thereafter	$5,000.

''(B) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS 50 OR OLDER.—In the case of an individual who has attained the age of 50 before the close of the taxable year, the deductible amount for taxable years beginning in 2001 or 2002 shall be $5,000.

''(C) COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2003, the $5,000 amount under subparagraph (A) shall be increased by an amount equal to—

''(I) such dollar amount, multiplied by

''(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2002' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of $500, such amount shall be rounded to the next lower multiple of $500.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 408(a)(1) is amended by striking ''in excess of $2,000 on behalf of any individual'' and inserting ''on behalf of any individual in excess of the amount in effect for such taxable year under section 219(b)(1)(A)''.

(2) Section 408(b)(2)(B) is amended by striking ''$2,000'' and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(3) Section 408(b) is amended by striking ''$2,000'' in the matter following paragraph (4) and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(4) Section 408(j) is amended by striking ''$2,000''.

(5) Section 408(p)(8) is amended by striking ''$2,000'' and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

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

TITLE II—EXPANDING COVERAGE

SEC. 201. INCREASE IN BENEFIT AND CONTRIBUTION LIMITS.

(a) DEFINED BENEFIT PLANS.—

(1) DOLLAR LIMIT.—

(A) Subparagraph (A) of section 415(b)(1) (relating to limitation for defined benefit plans) is amended by striking ''$90,000'' and inserting ''$160,000''.

(B) Subparagraphs (C) and (D) of section 415(b)(2) are each amended by striking ''$90,000'' each place it appears in the headings and the text and inserting ''$160,000''.

(C) Paragraph (7) of section 415(b) (relating to benefits under certain collectively bargained plans) is amended by striking ''the greater of $68,212 or one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$90,000' '' and inserting ''one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$160,000' ''.

(2) LIMIT REDUCED WHEN BENEFIT BEGINS BEFORE AGE 62.—Subparagraph (C) of section 415(b)(2) is amended by striking ''the social security retirement age'' each place it appears in the heading and text and inserting ''age 62'' and by striking the second sentence.

(3) LIMIT INCREASED WHEN BENEFIT BEGINS AFTER AGE 65.—Subparagraph (D) of section 415(b)(2) is amended by striking ''the social security retirement age'' each place it appears in the heading and text and inserting ''age 65''.

(4) COST-OF-LIVING ADJUSTMENTS.—Subsection (d) of section 415 (related to cost-of-living adjustments) is amended—

(A) by striking ''$90,000'' in paragraph (1)(A) and inserting ''$160,000''; and

(B) in paragraph (3)(A)—

(i) by striking ''$90,000'' in the heading and inserting ''$160,000''; and

(ii) by striking ''October 1, 1986'' and inserting ''July 1, 2000''.

(5) CONFORMING AMENDMENTS.—

(A) Section 415(b)(2) is amended by striking subparagraph (F).

(B) Section 415(b)(9) is amended to read as follows:

''(9) SPECIAL RULE FOR COMMERCIAL AIRLINE PILOTS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), in the case of any participant who is a commercial airline pilot, if, as of the time of the participant's retirement, regulations prescribed by the Federal Aviation Administration require an individual to separate from service as a commercial airline pilot after attaining any age occurring on or after age 60 and before age 62, paragraph (2)(C) shall be applied by substituting such age for age 62.

''(B) INDIVIDUALS WHO SEPARATE FROM SERVICE BEFORE AGE 60.—If a participant described in subparagraph (A) separates from service before age 60, the rules of paragraph (2)(C) shall apply.''.

(C) Section 415(b)(10)(C)(i) is amended by striking ''applied without regard to paragraph (2)(F)''.

(b) DEFINED CONTRIBUTION PLANS.—

(1) DOLLAR LIMIT.—Subparagraph (A) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking ''$30,000'' and inserting ''$40,000''.

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

(A) by striking ''$30,000'' in paragraph (1)(C) and inserting ''$40,000''; and

(B) in paragraph (3)(D)—

(i) by striking ''$30,000'' in the heading and inserting ''$40,000''; and

(ii) by striking ''October 1, 1993'' and inserting ''July 1, 2000''.

(c) QUALIFIED TRUSTS.—

(1) COMPENSATION LIMIT.—Sections 401(a)(17), 404(l), 408(k), and 505(b)(7) are each amended by striking ''$150,000'' each place it appears and inserting ''$200,000''.

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

(A) by striking ''October 1, 1993'' and inserting ''July 1, 2000''; and

(B) by striking ''$10,000'' both places it appears and inserting ''$5,000''.

(d) ELECTIVE DEFERRALS.—

(1) IN GENERAL.—Paragraph (1) of section 402(g) (relating to limitation on exclusion for elective deferrals) is amended to read as follows:

''(1) IN GENERAL.—

''(A) LIMITATION.—Notwithstanding subsections (e)(3) and (h)(1)(B), the elective deferrals of any individual for any taxable year shall be included in such individual's gross income to the extent the amount of such deferrals for the taxable year exceeds the applicable dollar amount.

''(B) APPLICABLE DOLLAR AMOUNT.—For purposes of subparagraph (A), the applicable dollar amount shall be the amount determined in accordance with the following table:

''For taxable years beginning in calendar year:	The applicable dollar amount:
2001	$11,000
2002	$12,000
2003	$13,000
2004	$14,000
2005 or thereafter	$15,000.''.

(2) COST-OF-LIVING ADJUSTMENT.—Paragraph (5) of section 402(g) is amended to read as follows:

''(5) COST-OF-LIVING ADJUSTMENT.—In the case of taxable years beginning after December 31, 2005, the Secretary shall adjust the $15,000 amount under paragraph (1)(B) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2004, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

(A) Section 402(g) (relating to limitation on exclusion for elective deferrals), as amended by paragraphs (1) and (2), is further amended by striking paragraph (4) and redesignating paragraphs (5), (6), (7), (8), and (9) as paragraphs (4), (5), (6), (7), and (8), respectively.

(B) Paragraph (2) of section 457(c) is amended by striking ''402(g)(8)(A)(iii)'' and inserting ''402(g)(7)(A)(iii)''.

(C) Clause (iii) of section 501(c)(18)(D) is amended by striking ''(other than paragraph (4) thereof)''.

(e) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations) is amended—

(A) in subsections (b)(2)(A) and (c)(1) by striking ''$7,500'' each place it appears and inserting ''the applicable dollar amount''; and

(B) in subsection (b)(3)(A) by striking ''$15,000'' and inserting ''twice the dollar amount in effect under subsection (b)(2)(A)''.

(2) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—Paragraph (15) of section 457(e) is amended to read as follows:

''(15) APPLICABLE DOLLAR AMOUNT.—

''(A) IN GENERAL.—The applicable dollar amount shall be the amount determined in accordance with the following table:

"For taxable years beginning in calendar year:	The applicable dollar amount:
2001	$11,000
2002	$12,000
2003	$13,000
2004	$14,000
2005 or thereafter	$15,000.

''(B) COST-OF-LIVING ADJUSTMENTS.—In the case of taxable years beginning after December 31, 2005, the Secretary shall adjust the $15,000 amount under subparagraph (A) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2004, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(f) SIMPLE RETIREMENT ACCOUNTS.—

(1) LIMITATION.—Clause (ii) of section 408(p)(2)(A) (relating to general rule for qualified salary reduction arrangement) is amended by striking ''$6,000'' and inserting ''the applicable dollar amount''.

(2) APPLICABLE DOLLAR AMOUNT.—Subparagraph (E) of 408(p)(2) is amended to read as follows:

''(E) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—For purposes of subparagraph (A)(ii), the applicable dollar amount shall be the amount determined in accordance with the following table:

"For taxable years beginning in calendar year:	The applicable dollar amount:
2001	$7,000
2002	$8,000
2003	$9,000
2004 or thereafter	$10,000.

''(ii) COST-OF-LIVING ADJUSTMENT.—In the case of a year beginning after December 31, 2004, the Secretary shall adjust the $10,000 amount under clause (i) at the same time and in the same manner as under section 415(d), except that the base period taken into account shall be the calendar quarter beginning July 1, 2003, and any increase under this subparagraph which is not a multiple of $500 shall be rounded to the next lower multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

(A) Subclause (I) of section 401(k)(11)(B)(i) is amended by striking ''$6,000'' and inserting ''the amount in effect under section 408(p)(2)(A)(ii)''.

(B) Section 401(k)(11) is amended by striking subparagraph (E).

(g) ROUNDING RULE RELATING TO DEFINED BENEFIT PLANS AND DEFINED CONTRIBUTION PLANS.—Paragraph (4) of section 415(d) is amended to read as follows:

''(4) ROUNDING.—

''(A) $160,000 AMOUNT.—Any increase under subparagraph (A) of paragraph (1) which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.

''(B) $40,000 AMOUNT.—Any increase under subparagraph (C) of paragraph (1) which is not a multiple of $1,000 shall be rounded to the next lowest multiple of $1,000.''.

(h) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2000.

SEC. 202. PLAN LOANS FOR SUBCHAPTER S OWNERS, PARTNERS, AND SOLE PROPRIETORS.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—Subparagraph (B) of section 4975(f)(6) (relating to exemptions not to apply to certain transactions) is amended by adding at the end the following new clause:

''(iii) LOAN EXCEPTION.—For purposes of subparagraph (A)(i), the term 'owner-employee' shall only include a person described in subclause (II) or (III) of clause (i).''.

(b) AMENDMENT OF ERISA.—Section 408(d)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1108(d)(2)) is amended by adding at the end the following new subparagraph:

''(C) For purposes of paragraph (1)(A), the term 'owner-employee' shall only include a person described in clause (ii) or (iii) of subparagraph (A).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 203. MODIFICATION OF TOP-HEAVY RULES.

(a) SIMPLIFICATION OF DEFINITION OF KEY EMPLOYEE.—

(1) IN GENERAL.—Section 416(i)(1)(A) (defining key employee) is amended—

(A) by striking ''or any of the 4 preceding plan years'' in the matter preceding clause (i);

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

''(i) an officer of the employer having an annual compensation greater than $150,000,'';

(C) by striking clause (ii) and redesignating clauses (iii) and (iv) as clauses (ii) and (iii), respectively; and

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

(2) CONFORMING AMENDMENT.—Section 416(i)(1)(B)(iii) is amended by striking ''and subparagraph (A)(ii)''.

(b) MATCHING CONTRIBUTIONS TAKEN INTO ACCOUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.—Section 416(c)(2)(A) (relating to defined contribution plans) is amended by adding at the end the following: ''Employer matching contributions (as defined in section 401(m)(4)(A)) shall be taken into account for purposes of this subparagraph.''.

(c) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

(1) IN GENERAL.—Paragraph (3) of section 416(g) is amended to read as follows:

''(3) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

''(A) IN GENERAL.—For purposes of determining—

''(i) the present value of the cumulative accrued benefit for any employee, or

''(ii) the amount of the account of any employee,

such present value or amount shall be increased by the aggregate distributions made with respect to such employee under the plan during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which if it had not been terminated would have been required to be included in an aggregation group.

''(B) 5-YEAR PERIOD IN CASE OF IN-SERVICE DISTRIBUTION.—In the case of any distribution made for a reason other than separation from service, death, or disability, subparagraph (A) shall be applied by substituting '5-year period' for '1-year period'.''.

(2) BENEFITS NOT TAKEN INTO ACCOUNT.—Subparagraph (E) of section 416(g)(4) is amended—

(A) by striking ''LAST 5 YEARS'' in the heading and inserting ''LAST YEAR BEFORE DETERMINATION DATE''; and

(B) by striking ''5-year period'' and inserting ''1-year period''.

(d) DEFINITION OF TOP-HEAVY PLANS.—Paragraph (4) of section 416(g) (relating to other special rules for top-heavy plans) is amended by adding at the end the following new subparagraph:

''(H) CASH OR DEFERRED ARRANGEMENTS USING ALTERNATIVE METHODS OF MEETING NONDISCRIMINATION REQUIREMENTS.—The term 'top-heavy plan' shall not include a plan which consists solely of—

''(i) a cash or deferred arrangement which meets the requirements of section 401(k)(12), and

''(ii) matching contributions with respect to which the requirements of section 401(m)(11) are met.

If, but for this subparagraph, a plan would be treated as a top-heavy plan because it is a member of an aggregation group which is a top-heavy group, contributions under the plan may be taken into account in determining whether any other plan in the group meets the requirements of subsection (c)(2).''.

(e) FROZEN PLAN EXEMPT FROM MINIMUM BENEFIT REQUIREMENT.—Subparagraph (C) of section 416(c)(1) (relating to defined benefit plans) is amended—

(A) by striking ''clause (ii)'' in clause (i) and inserting ''clause (ii) or (iii)''; and

(B) by adding at the end the following:

''(iii) EXCEPTION FOR FROZEN PLAN.—For purposes of determining an employee's years of service with the employer, any service with the employer shall be disregarded to the extent that such service occurs during a plan year when the plan benefits (within the meaning of section 410(b)) no key employee or former key employee.''.

(f) ELIMINATION OF FAMILY ATTRIBUTION.—Section 416(i)(1)(B) (defining 5-percent owner) is amended by adding at the end the following new clause:

''(iv) FAMILY ATTRIBUTION DISREGARDED.—Solely for purposes of applying this paragraph (and not for purposes of any provision of this title which incorporates by reference

the definition of a key employee or 5-percent owner under this paragraph), section 318 shall be applied without regard to subsection (a)(1) thereof in determining whether any person is a 5-percent owner.''.

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 204. ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.

(a) IN GENERAL.—Section 404 (relating to deduction for contributions of an employer to an employees' trust or annuity plan and compensation under a deferred payment plan) is amended by adding at the end the following new subsection:

''(n) ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.—Elective deferrals (as defined in section 402(g)(3)) shall not be subject to any limitation contained in paragraph (3), (7), or (9) of subsection (a), and such elective deferrals shall not be taken into account in applying any such limitation to any other contributions.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 205. REPEAL OF COORDINATION REQUIREMENTS FOR DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.

(a) IN GENERAL.—Subsection (c) of section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations), as amended by section 201, is amended to read as follows:

''(c) LIMITATION.—The maximum amount of the compensation of any one individual which may be deferred under subsection (a) during any taxable year shall not exceed the amount in effect under subsection (b)(2)(A) (as modified by any adjustment provided under subsection (b)(3)).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to years beginning after December 31, 2001.

SEC. 206. ELIMINATION OF USER FEE FOR REQUESTS TO IRS REGARDING PENSION PLANS.

(a) ELIMINATION OF CERTAIN USER FEES.—The Secretary of the Treasury or the Secretary's delegate shall not require payment of user fees under the program established under section 10511 of the Revenue Act of 1987 for requests to the Internal Revenue Service for determination letters with respect to the qualified status of a pension benefit plan maintained solely by one or more eligible employers or any trust which is part of the plan. The preceding sentence shall not apply to any request—

(1) made after the later of—

(A) the fifth plan year the pension benefit plan is in existence; or

(B) the end of any remedial amendment period with respect to the plan beginning within the first 5 plan years; or

(2) made by the sponsor of any prototype or similar plan which the sponsor intends to market to participating employers.

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

(c) ELIGIBLE EMPLOYER.—For purposes of this section, the term ''eligible employer'' has the same meaning given such term in section 408(p)(2)(C)(i)(I) of the Internal Revenue Code of 1986. The determination of whether an employer is an eligible employer under this section shall be made as of the date of the request described in subsection (a).

(d) DETERMINATION OF AVERAGE FEES CHARGED.—For purposes of any determination of average fees charged, any request to which subsection (a) applies shall not be taken into account.

(e) EFFECTIVE DATE.—The provisions of this section shall apply with respect to requests made after December 31, 2001.

SEC. 207. DEDUCTION LIMITS.

(a) STOCK BONUS AND PROFIT SHARING TRUSTS.—

(1) IN GENERAL.—Subclause (I) of section 404(a)(3)(A)(i) (relating to stock bonus and profit sharing trusts) is amended by striking ''15 percent'' and inserting ''20 percent''.

(2) CONFORMING AMENDMENT.—Subparagraph (C) of section 404(h)(1) is amended by striking ''15 percent'' each place it appears and inserting ''20 percent''.

(b) COMPENSATION.—

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

''(12) DEFINITION OF COMPENSATION.—For purposes of paragraphs (3), (7), (8), and (9), the term 'compensation otherwise paid or accrued during the taxable year' shall include amounts treated as 'participant's compensation' under subparagraph (C) or (D) of section 415(c)(3).''.

(2) CONFORMING AMENDMENTS.—

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

(B) Clause (i) of section 4972(c)(6)(B) is amended by striking ''(within the meaning of section 404(a))'' and inserting ''(within the meaning of section 404(a) and as adjusted under section 404(a)(12))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 208. OPTION TO TREAT ELECTIVE DEFERRALS AS AFTER-TAX CONTRIBUTIONS.

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

''SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFERRALS AS PLUS CONTRIBUTIONS.

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

''(1) any designated plus contribution made by an employee pursuant to the program shall be treated as an elective deferral for purposes of this chapter, except that such contribution shall not be excludable from gross income, and

''(2) such plan (and any arrangement which is part of such plan) shall not be treated as failing to meet any requirement of this chapter solely by reason of including such program.

''(b) QUALIFIED PLUS CONTRIBUTION PROGRAM.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified plus contribution program' means a program under which an employee may elect to make designated plus contributions in lieu of all or a portion of elective deferrals the employee is otherwise eligible to make under the applicable retirement plan.

''(2) SEPARATE ACCOUNTING REQUIRED.—A program shall not be treated as a qualified plus contribution program unless the applicable retirement plan—

''(A) establishes separate accounts ('designated plus accounts') for the designated plus contributions of each employee and any earnings properly allocable to the contributions, and

''(B) maintains separate recordkeeping with respect to each account.

''(c) DEFINITIONS AND RULES RELATING TO DESIGNATED PLUS CONTRIBUTIONS.—For purposes of this section—

''(1) DESIGNATED PLUS CONTRIBUTION.—The term 'designated plus contribution' means any elective deferral which—

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

''(B) the employee designates (at such time and in such manner as the Secretary may prescribe) as not being so excludable.

''(2) DESIGNATION LIMITS.—The amount of elective deferrals which an employee may designate under paragraph (1) shall not exceed the excess (if any) of—

''(A) the maximum amount of elective deferrals excludable from gross income of the employee for the taxable year (without regard to this section), over

''(B) the aggregate amount of elective deferrals of the employee for the taxable year which the employee does not designate under paragraph (1).

''(3) ROLLOVER CONTRIBUTIONS.—

''(A) IN GENERAL.—A rollover contribution of any payment or distribution from a designated plus account which is otherwise allowable under this chapter may be made only if the contribution is to—

''(i) another designated plus account of the individual from whose account the payment or distribution was made, or

''(ii) a Roth IRA of such individual.

''(B) COORDINATION WITH LIMIT.—Any rollover contribution to a designated plus account under subparagraph (A) shall not be taken into account for purposes of paragraph (1).

''(d) DISTRIBUTION RULES.—For purposes of this title—

''(1) EXCLUSION.—Any qualified distribution from a designated plus account shall not be includible in gross income.

''(2) QUALIFIED DISTRIBUTION.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified distribution' has the meaning given such term by section 408A(d)(2)(A) (without regard to clause (iv) thereof).

''(B) DISTRIBUTIONS WITHIN NONEXCLUSION PERIOD.—A payment or distribution from a designated plus account shall not be treated as a qualified distribution if such payment or distribution is made within the 5-taxable-year period beginning with the earlier of—

''(i) the first taxable year for which the individual made a designated plus contribution to any designated plus account established for such individual under the same applicable retirement plan, or

''(ii) if a rollover contribution was made to such designated plus account from a designated plus account previously established for such individual under another applicable retirement plan, the first taxable year for which the individual made a designated plus contribution to such previously established account.

''(C) DISTRIBUTIONS OF EXCESS DEFERRALS AND EARNINGS.—The term 'qualified distribution' shall not include any distribution of any excess deferral under section 402(g)(2) and any income on the excess deferral.

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

''(e) OTHER DEFINITIONS.—For purposes of this section—

''(1) APPLICABLE RETIREMENT PLAN.—The term 'applicable retirement plan' means—

''(A) an employees' trust described in section 401(a) which is exempt from tax under section 501(a), and

''(B) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b).

''(2) ELECTIVE DEFERRAL.—The term 'elective deferral' means any elective deferral described in subparagraph (A) or (C) of section 402(g)(3).''.

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

(1) by adding at the end of paragraph (1) the following new sentence: ''The preceding sentence shall not apply to so much of such excess as does not exceed the designated plus contributions of the individual for the taxable year.''; and

(2) by inserting ''(or would be included but for the last sentence thereof)'' after ''paragraph (1)'' in paragraph (2)(A).

(c) ROLLOVERS.—Subparagraph (B) of section 402(c)(8) is amended by adding at the end the following:

''If any portion of an eligible rollover distribution is attributable to payments or distributions from a designated plus account (as defined in section 402A), an eligible retirement plan with respect to such portion shall include only another designated plus account and a Roth IRA.''.

(d) REPORTING REQUIREMENTS.—

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

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

''(f) DESIGNATED PLUS CONTRIBUTIONS.—The Secretary shall require the plan administrator of each applicable retirement plan (as defined in section 402A) to make such returns and reports regarding designated plus contributions (as so defined) to the Secretary, participants and beneficiaries of the plan, and such other persons as the Secretary may prescribe.''.

(e) CONFORMING AMENDMENTS.—

(1) Section 408A(e) is amended by adding after the first sentence the following new sentence: ''Such term includes a rollover contribution described in section 402A(c)(3)(A).''.

(2) The table of sections for subpart A of part I of subchapter D of chapter 1 is amended by inserting after the item relating to section 402 the following new item:

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

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

TITLE III—ENHANCING FAIRNESS FOR WOMEN

SEC. 301. CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.

(a) IN GENERAL.—Section 414 (relating to definitions and special rules) is amended by adding at the end the following new subsection:

''(v) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.—

''(1) IN GENERAL.—An applicable employer plan shall not be treated as failing to meet any requirement of this title solely because the plan permits an eligible participant to make additional elective deferrals in any plan year.

''(2) LIMITATION ON AMOUNT OF ADDITIONAL DEFERRALS.—A plan shall not permit additional elective deferrals under paragraph (1) for any year in an amount greater than the lesser of—

''(A) $5,000, or

''(B) the excess (if any) of—

''(i) the participant's compensation for the year, over

''(ii) any other elective deferrals of the participant for such year which are made without regard to this subsection.

''(3) TREATMENT OF CONTRIBUTIONS.—In the case of any contribution to a plan under paragraph (1), such contribution shall not, with respect to the year in which the contribution is made—

''(A) be subject to any otherwise applicable limitation contained in section 402(g), 402(h)(2), 404(a), 404(h), 408(p)(2)(A)(ii), 415, or 457, or

''(B) be taken into account in applying such limitations to other contributions or benefits under such plan or any other such plan.

''(4) APPLICATION OF NONDISCRIMINATION RULES.—

''(A) IN GENERAL.—An applicable employer plan shall not be treated as failing to meet the nondiscrimination requirements under section 401(a)(4) with respect to benefits, rights, and features if the plan allows all eligible participants to make the same election with respect to the additional elective deferrals under this subsection.

''(B) AGGREGATION.—For purposes of subparagraph (A), all plans maintained by employers who are treated as a single employer under subsection (b), (c), (m), or (o) of section 414 shall be treated as 1 plan.

''(5) ELIGIBLE PARTICIPANT.—For purposes of this subsection, the term 'eligible participant' means, with respect to any plan year, a participant in a plan—

''(A) who has attained the age of 50 before the close of the plan year, and

''(B) with respect to whom no other elective deferrals may (without regard to this subsection) be made to the plan for the plan year by reason of the application of any limitation or other restriction described in paragraph (3) or comparable limitation contained in the terms of the plan.

''(6) OTHER DEFINITIONS AND RULES.—For purposes of this subsection—

''(A) APPLICABLE EMPLOYER PLAN.—The term 'applicable employer plan' means—

''(i) an employees' trust described in section 401(a) which is exempt from tax under section 501(a),

''(ii) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b),

''(iii) an eligible deferred compensation plan under section 457 of an eligible employer as defined in section 457(e)(1)(A), and

''(iv) an arrangement meeting the requirements of section 408 (k) or (p).

''(B) ELECTIVE DEFERRAL.—The term 'elective deferral' has the meaning given such term by subsection (u)(2)(C).

''(C) EXCEPTION FOR SECTION 457 PLANS.—This subsection shall not apply to an applicable employer plan described in subparagraph (A)(iii) for any year to which section 457(b)(3) applies.

''(D) COST-OF-LIVING ADJUSTMENT.—In the case of a year beginning after December 31, 2005, the Secretary shall adjust annually the $5,000 amount in paragraph (2)(A) for increases in the cost-of-living at the same time and in the same manner as adjustments under section 415(d); except that the base period taken into account shall be the calendar quarter beginning July 1, 2004, and any increase under this subparagraph which is not a multiple of $500 shall be rounded to the next lower multiple of $500.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions in taxable years beginning after December 31, 2000.

SEC. 302. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF EMPLOYEES TO DEFINED CONTRIBUTION PLANS.

(a) EQUITABLE TREATMENT.—

(1) IN GENERAL.—Subparagraph (B) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking ''25 percent'' and inserting ''100 percent''.

(2) APPLICATION TO SECTION 403(b).—Section 403(b) is amended—

(A) by striking ''the exclusion allowance for such taxable year'' in paragraph (1) and inserting ''the applicable limit under section 415'';

(B) by striking paragraph (2); and

(C) by inserting ''or any amount received by a former employee after the fifth taxable year following the taxable year in which such employee was terminated'' before the period at the end of the second sentence of paragraph (3).

(3) CONFORMING AMENDMENTS.—

(A) Subsection (f) of section 72 is amended by striking ''section 403(b)(2)(D)(iii))'' and inserting ''section 403(b)(2)(D)(iii), as in effect before the enactment of the Comprehensive Retirement Security and Pension Reform Act of 2001)''.

(B) Section 404(a)(10)(B) is amended by striking '', the exclusion allowance under section 403(b)(2),''.

(C) Section 415(a)(2) is amended by striking '', and the amount of the contribution for such portion shall reduce the exclusion allowance as provided in section 403(b)(2)''.

(D) Section 415(c)(3) is amended by adding at the end the following new subparagraph:

''(E) ANNUITY CONTRACTS.—In the case of an annuity contract described in section 403(b), the term 'participant's compensation' means the participant's includible compensation determined under section 403(b)(3).''.

(E) Section 415(c) is amended by striking paragraph (4).

(F) Section 415(c)(7) is amended to read as follows:

''(7) CERTAIN CONTRIBUTIONS BY CHURCH PLANS NOT TREATED AS EXCEEDING LIMIT.—

''(A) IN GENERAL.—Notwithstanding any other provision of this subsection, at the election of a participant who is an employee of a church or a convention or association of churches, including an organization described in section 414(e)(3)(B)(ii), contributions and other additions for an annuity contract or retirement income account described in section 403(b) with respect to such participant, when expressed as an annual addition to such participant's account, shall be treated as not exceeding the limitation of paragraph (1) if such annual addition is not in excess of $10,000.

''(B) $40,000 AGGREGATE LIMITATION.—The total amount of additions with respect to any participant which may be taken into account for purposes of this subparagraph for all years may not exceed $40,000.

''(C) ANNUAL ADDITION.—For purposes of this paragraph, the term 'annual addition' has the meaning given such term by paragraph (2).''.

(G) Subparagraph (B) of section 402(g)(7) (as redesignated by section 201) is amended by inserting before the period at the end the following: ''(as in effect before the enactment of the Comprehensive Retirement Security and Pension Reform Act of 2001)''.

(H) Section 664(g) is amended—

(i) in paragraph (3)(E) by striking ''limitations under section 415(c)'' and inserting ''applicable limitation under paragraph (7)'', and

(ii) by adding at the end the following new paragraph:

''(7) APPLICABLE LIMITATION.—

''(A) IN GENERAL.—For purposes of paragraph (3)(E), the applicable limitation under this paragraph with respect to a participant is an amount equal to the lesser of—

''(i) $30,000, or

''(ii) 25 percent of the participant's compensation (as defined in section 415(c)(3)).

''(B) COST-OF-LIVING ADJUSTMENT.—The Secretary shall adjust annually the $30,000 amount under subparagraph (A)(i) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning October 1, 1993, and any increase under this subparagraph which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.''.

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

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

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

''(4) SPECIAL RULES FOR SECTIONS 403(b) AND 408.—For purposes of this section, any annuity contract described in section 403(b) for the benefit of a participant shall be treated as a defined contribution plan maintained by each employer with respect to which the participant has the control required under subsection (b) or (c) of section 414 (as modified by subsection (h)). For purposes of this section, any contribution by an employer to a simplified employee pension plan for an individual for a taxable year shall be treated as an employer contribution to a defined contribution plan for such individual for such year.''.

(2) EFFECTIVE DATE.—

(A) IN GENERAL.—The amendment made by paragraph (1) shall apply to limitation years beginning after December 31, 1999.

(B) EXCLUSION ALLOWANCE.—Effective for limitation years beginning in 2000, in the case of any annuity contract described in section 403(b) of the Internal Revenue Code of 1986, the amount of the contribution disqualified by reason of section 415(g) of such Code shall reduce the exclusion allowance as provided in section 403(b)(2) of such Code.

(3) MODIFICATION OF 403(b) EXCLUSION ALLOWANCE TO CONFORM TO 415 MODIFICATION.—The Secretary of the Treasury shall modify the regulations regarding the exclusion allowance under section 403(b)(2) of the Internal Revenue Code of 1986 to render void the requirement that contributions to a defined benefit pension plan be treated as previously excluded amounts for purposes of the exclusion allowance. For taxable years beginning after December 31, 1999, such regulations shall be applied as if such requirement were void.

(c) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Subparagraph (B) of section 457(b)(2) (relating to salary limitation on eligible deferred compensation plans) is amended by striking ''33⅓ percent'' and inserting ''100 percent''.

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

SEC. 303. FASTER VESTING OF CERTAIN EMPLOYER MATCHING CONTRIBUTIONS.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—Section 411(a) (relating to minimum vesting standards) is amended—

(1) in paragraph (2), by striking ''A plan'' and inserting ''Except as provided in paragraph (12), a plan''; and

(2) by adding at the end the following:

''(12) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A)), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

"Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.''.

(b) AMENDMENT OF ERISA.—Section 203(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)) is amended—

(1) in paragraph (2), by striking ''A plan'' and inserting ''Except as provided in paragraph (4), a plan'', and

(2) by adding at the end the following:

''(4) In the case of matching contributions (as defined in section 401(m)(4)(A) of the Internal Revenue Code of 1986), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

"Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to contributions for plan years beginning after December 31, 2001.

(2) COLLECTIVE BARGAINING AGREEMENTS.—In the case of a plan maintained pursuant to one or more collective bargaining agreements between employee representatives and one or more employers ratified by the date of the enactment of this Act, the amendments made by this section shall not apply to contributions on behalf of employees covered by any such agreement for plan years beginning before the earlier of—

(A) the later of—

(i) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof on or after such date of the enactment); or

(ii) January 1, 2002; or

(B) January 1, 2006.

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

SEC. 304. SIMPLIFY AND UPDATE THE MINIMUM DISTRIBUTION RULES.

(a) SIMPLIFICATION AND FINALIZATION OF MINIMUM DISTRIBUTION REQUIREMENTS.—

(1) IN GENERAL.—The Secretary of the Treasury shall—

(A) simplify and finalize the regulations relating to minimum distribution requirements under sections 401(a)(9), 408(a)(6) and (b)(3), 403(b)(10), and 457(d)(2) of the Internal Revenue Code of 1986; and

(B) modify such regulations to—

(i) reflect current life expectancy; and

(ii) revise the required distribution methods so that, under reasonable assumptions, the amount of the required minimum distribution does not decrease over a participant's life expectancy.

(2) FRESH START.—Notwithstanding subparagraph (D) of section 401(a)(9) of such Code, during the first year that regulations are in effect under this subsection, required distributions for future years may be redetermined to reflect changes under such regulations. Such redetermination shall include the opportunity to choose a new designated beneficiary and to elect a new method of calculating life expectancy.

(3) DATE FOR REGULATIONS.—Not later than December 31, 2002, the Secretary shall issue final regulations described in paragraph (1) and such regulations shall apply without regard to whether an individual had previously begun receiving minimum distributions.

(b) REPEAL OF RULE WHERE DISTRIBUTIONS HAD BEGUN BEFORE DEATH OCCURS.—

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

(2) CONFORMING CHANGES.—

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

(i) by striking ''FOR OTHER CASES'' in the heading; and

(ii) by striking ''the distribution of the employee's interest has begun in accordance with subparagraph (A)(ii)'' and inserting ''his entire interest has been distributed to him''.

(B) Clause (ii) of section 401(a)(9)(B) (as so redesignated) is amended by striking ''clause (ii)'' and inserting ''clause (i)''.

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

(i) by striking ''clause (iii)(I)'' and inserting ''clause (ii)(I)'';

(ii) by striking ''clause (iii)(III)'' in subclause (I) and inserting ''clause (ii)(III)'';

(iii) by striking ''the date on which the employee would have attained age 70½,'' in subclause (I) and inserting ''April 1 of the calendar year following the calendar year in which the spouse attains 70½,''; and

(iv) by striking ''the distributions to such spouse begin,'' in subclause (II) and inserting ''his entire interest has been distributed to him,''.

(3) EFFECTIVE DATE.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by this subsection shall apply to years beginning after December 31, 2001.

(B) DISTRIBUTIONS TO SURVIVING SPOUSE.—

(i) IN GENERAL.—In the case of an employee described in clause (ii), distributions to the surviving spouse of the employee shall not be required to commence prior to the date on which such distributions would have been required to begin under section 401(a)(9)(B) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of this Act).

(ii) CERTAIN EMPLOYEES.—An employee is described in this clause if such employee dies before—

(I) the date of the enactment of this Act, and

(II) the required beginning date (within the meaning of section 401(a)(9)(C) of the Internal Revenue Code of 1986) of the employee.

(c) REDUCTION IN EXCISE TAX.—

(1) IN GENERAL.—Subsection (a) of section 4974 is amended by striking ''50 percent'' and inserting ''10 percent''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to years beginning after December 31, 2001.

SEC. 305. CLARIFICATION OF TAX TREATMENT OF DIVISION OF SECTION 457 PLAN BENEFITS UPON DIVORCE.

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

(1) by inserting ''or an eligible deferred compensation plan (within the meaning of section 457(b))'' after ''subsection (e))''; and

(2) in the heading, by striking ''GOVERNMENTAL AND CHURCH PLANS'' and inserting ''CERTAIN OTHER PLANS''.

(b) WAIVER OF CERTAIN DISTRIBUTION REQUIREMENTS.—Paragraph (10) of section 414(p) is amended by striking ''and section 409(d)''

and inserting ''section 409(d), and section 457(d)''.

(c) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—Subsection (p) of section 414 is amended by redesignating paragraph (12) as paragraph (13) and inserting after paragraph (11) the following new paragraph:

''(12) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—If a distribution or payment from an eligible deferred compensation plan described in section 457(b) is made pursuant to a qualified domestic relations order, rules similar to the rules of section 402(e)(1)(A) shall apply to such distribution or payment.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers, distributions, and payments made after December 31, 2001.

SEC. 306. MODIFICATION OF SAFE HARBOR RELIEF FOR HARDSHIP WITHDRAWALS FROM CASH OR DEFERRED ARRANGEMENTS.

(a) IN GENERAL.—The Secretary of the Treasury shall revise the regulations relating to hardship distributions under section 401(k)(2)(B)(i)(IV) of the Internal Revenue Code of 1986 to provide that the period an employee is prohibited from making elective and employee contributions in order for a distribution to be deemed necessary to satisfy financial need shall be equal to 6 months.

(b) EFFECTIVE DATE.—The revised regulations under subsection (a) shall apply to years beginning after December 31, 2001.

TITLE IV—INCREASING PORTABILITY FOR PARTICIPANTS

SEC. 401. ROLLOVERS ALLOWED AMONG VARIOUS TYPES OF PLANS.

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

(1) ROLLOVERS FROM SECTION 457 PLANS.—

(A) IN GENERAL.—Section 457(e) (relating to other definitions and special rules) is amended by adding at the end the following:

''(16) ROLLOVER AMOUNTS.—

''(A) GENERAL RULE.—In the case of an eligible deferred compensation plan established and maintained by an employer described in subsection (e)(1)(A), if—

''(i) any portion of the balance to the credit of an employee in such plan is paid to such employee in an eligible rollover distribution (within the meaning of section 402(c)(4) without regard to subparagraph (C) thereof),

''(ii) the employee transfers any portion of the property such employee receives in such distribution to an eligible retirement plan described in section 402(c)(8)(B), and

''(iii) in the case of a distribution of property other than money, the amount so transferred consists of the property distributed,

then such distribution (to the extent so transferred) shall not be includible in gross income for the taxable year in which paid.

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) (other than paragraph (4)(C)) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A).

''(C) REPORTING.—Rollovers under this paragraph shall be reported to the Secretary in the same manner as rollovers from qualified retirement plans (as defined in section 4974(c)).''.

(B) DEFERRAL LIMIT DETERMINED WITHOUT REGARD TO ROLLOVER AMOUNTS.—Section 457(b)(2) (defining eligible deferred compensation plan) is amended by inserting ''(other than rollover amounts)'' after ''taxable year''.

(C) DIRECT ROLLOVER.—Paragraph (1) of section 457(d) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by inserting after subparagraph (B) the following:

''(C) in the case of a plan maintained by an employer described in subsection (e)(1)(A), the plan meets requirements similar to the requirements of section 401(a)(31).

Any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of transfer.''.

(D) WITHHOLDING.—

(i) Paragraph (12) of section 3401(a) is amended by adding at the end the following:

''(E) under or to an eligible deferred compensation plan which, at the time of such payment, is a plan described in section 457(b) maintained by an employer described in section 457(e)(1)(A); or''.

(ii) Paragraph (3) of section 3405(c) is amended to read as follows:

''(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For purposes of this subsection, the term 'eligible rollover distribution' has the meaning given such term by section 402(f)(2)(A).''.

(iii) LIABILITY FOR WITHHOLDING.—Subparagraph (B) of section 3405(d)(2) is amended by striking ''or'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', or'', and by adding at the end the following:

''(iv) section 457(b) and which is maintained by an eligible employer described in section 457(e)(1)(A).''.

(2) ROLLOVERS TO SECTION 457 PLANS.—

(A) IN GENERAL.—Section 402(c)(8)(B) (defining eligible retirement plan) is amended by striking ''and'' at the end of clause (iii), by striking the period at the end of clause (iv) and inserting '', and'', and by inserting after clause (iv) the following new clause:

''(v) an eligible deferred compensation plan described in section 457(b) which is maintained by an eligible employer described in section 457(e)(1)(A).''.

(B) SEPARATE ACCOUNTING.—Section 402(c) is amended by adding at the end the following new paragraph:

''(11) SEPARATE ACCOUNTING.—Unless a plan described in clause (v) of paragraph (8)(B) agrees to separately account for amounts rolled into such plan from eligible retirement plans not described in such clause, the plan described in such clause may not accept transfers or rollovers from such retirement plans.''.

(C) 10 PERCENT ADDITIONAL TAX.—Subsection (t) of section 72 (relating to 10-percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end the following new paragraph:

''(9) SPECIAL RULE FOR ROLLOVERS TO SECTION 457 PLANS.—For purposes of this subsection, a distribution from an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A) shall be treated as a distribution from a qualified retirement plan described in 4974(c)(1) to the extent that such distribution is attributable to an amount transferred to an eligible deferred compensation plan from a qualified retirement plan (as defined in section 4974(c)).''.

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

(1) ROLLOVERS FROM SECTION 403(b) PLANS.—Section 403(b)(8)(A)(ii) (relating to rollover amounts) is amended by striking ''such distribution'' and all that follows and inserting ''such distribution to an eligible retirement plan described in section 402(c)(8)(B), and''.

(2) ROLLOVERS TO SECTION 403(b) PLANS.—Section 402(c)(8)(B) (defining eligible retirement plan), as amended by subsection (a), is amended by striking ''and'' at the end of clause (iv), by striking the period at the end of clause (v) and inserting '', and'', and by inserting after clause (v) the following new clause:

''(vi) an annuity contract described in section 403(b).''.

(c) EXPANDED EXPLANATION TO RECIPIENTS OF ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section 402(f) (relating to written explanation to recipients of distributions eligible for rollover treatment) is amended by striking ''and'' at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting '', and'', and by adding at the end the following new subparagraph:

''(E) of the provisions under which distributions from the eligible retirement plan receiving the distribution may be subject to restrictions and tax consequences which are different from those applicable to distributions from the plan making such distribution.''.

(d) SPOUSAL ROLLOVERS.—Section 402(c)(9) (relating to rollover where spouse receives distribution after death of employee) is amended by striking ''; except that'' and all that follows up to the end period.

(e) CONFORMING AMENDMENTS.—

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

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

(3) Section 401(a)(31)(B) is amended by striking ''and 403(a)(4)'' and inserting '', 403(a)(4), 403(b)(8), and 457(e)(16)''.

(4) Subparagraph (A) of section 402(f)(2) is amended by striking ''or paragraph (4) of section 403(a)'' and inserting '', paragraph (4) of section 403(a), subparagraph (A) of section 403(b)(8), or subparagraph (A) of section 457(e)(16)''.

(5) Paragraph (1) of section 402(f) is amended by striking ''from an eligible retirement plan''.

(6) Subparagraphs (A) and (B) of section 402(f)(1) are amended by striking ''another eligible retirement plan'' and inserting ''an eligible retirement plan''.

(7) Subparagraph (B) of section 403(b)(8) is amended to read as follows:

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A), except that section 402(f) shall be applied to the payor in lieu of the plan administrator.''.

(8) Section 408(a)(1) is amended by striking ''or 403(b)(8),'' and inserting ''403(b)(8), or 457(e)(16)''.

(9) Subparagraphs (A) and (B) of section 415(b)(2) are each amended by striking ''and 408(d)(3)'' and inserting ''403(b)(8), 408(d)(3), and 457(e)(16)''.

(10) Section 415(c)(2) is amended by striking ''and 408(d)(3)'' and inserting ''408(d)(3), and 457(e)(16)''.

(11) Section 4973(b)(1)(A) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.

(f) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after the date of the enactment of this Act.

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of any amendment made by this section.

SEC. 402. ROLLOVERS OF IRAS INTO WORKPLACE RETIREMENT PLANS.

(a) IN GENERAL.—Subparagraph (A) of section 408(d)(3) (relating to rollover amounts)

is amended by adding ''or'' at the end of clause (i), by striking clauses (ii) and (iii), and by adding at the end the following:

''(ii) the entire amount received (including money and any other property) is paid into an eligible retirement plan for the benefit of such individual not later than the 60th day after the date on which the payment or distribution is received, except that the maximum amount which may be paid into such plan may not exceed the portion of the amount received which is includible in gross income (determined without regard to this paragraph).

For purposes of clause (ii), the term 'eligible retirement plan' means an eligible retirement plan described in clause (iii), (iv), (v), or (vi) of section 402(c)(8)(B).''.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 403(b) is amended by striking ''section 408(d)(3)(A)(iii)'' and inserting ''section 408(d)(3)(A)(ii)''.

(2) Clause (i) of section 408(d)(3)(D) is amended by striking ''(i), (ii), or (iii)'' and inserting ''(i) or (ii)''.

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

''(G) SIMPLE RETIREMENT ACCOUNTS.—In the case of any payment or distribution out of a simple retirement account (as defined in subsection (p)) to which section 72(t)(6) applies, this paragraph shall not apply unless such payment or distribution is paid into another simple retirement account.''.

(c) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after the date of the enactment of this Act.

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

SEC. 403. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.

(a) ROLLOVERS FROM EXEMPT TRUSTS.—Paragraph (2) of section 402(c) (relating to maximum amount which may be rolled over) is amended by adding at the end the following: ''The preceding sentence shall not apply to such distribution to the extent—

''(A) such portion is transferred in a direct trustee-to-trustee transfer to a qualified trust which is part of a plan which is a defined contribution plan and which agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(B) such portion is transferred to an eligible retirement plan described in clause (i) or (ii) of paragraph (8)(B).''.

(b) OPTIONAL DIRECT TRANSFER OF ELIGIBLE ROLLOVER DISTRIBUTIONS.—Subparagraph (B) of section 401(a)(31) (relating to limitation) is amended by adding at the end the following: ''The preceding sentence shall not apply to such distribution if the plan to which such distribution is transferred—

''(i) agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(ii) is an eligible retirement plan described in clause (i) or (ii) of section 402(c)(8)(B).''.

(c) RULES FOR APPLYING SECTION 72 TO IRAS.—Paragraph (3) of section 408(d) (relating to special rules for applying section 72) is amended by inserting at the end the following:

''(H) APPLICATION OF SECTION 72.—

''(i) IN GENERAL.—If—

''(I) a distribution is made from an individual retirement plan, and

''(II) a rollover contribution is made to an eligible retirement plan described in section 402(c)(8)(B)(iii), (iv), (v), or (vi) with respect to all or part of such distribution,

then, notwithstanding paragraph (2), the rules of clause (ii) shall apply for purposes of applying section 72.

''(ii) APPLICABLE RULES.—In the case of a distribution described in clause (i)—

''(I) section 72 shall be applied separately to such distribution,

''(II) notwithstanding the pro rata allocation of income on, and investment in, the contract to distributions under section 72, the portion of such distribution rolled over to an eligible retirement plan described in clause (i) shall be treated as from income on the contract (to the extent of the aggregate income on the contract from all individual retirement plans of the distributee), and

''(III) appropriate adjustments shall be made in applying section 72 to other distributions in such taxable year and subsequent taxable years.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions made after the date of the enactment of this Act.

SEC. 404. HARDSHIP EXCEPTION TO 60-DAY RULE.

(a) EXEMPT TRUSTS.—Paragraph (3) of section 402(c) (relating to transfer must be made within 60 days of receipt) is amended to read as follows:

''(3) TRANSFER MUST BE MADE WITHIN 60 DAYS OF RECEIPT.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), paragraph (1) shall not apply to any transfer of a distribution made after the 60th day following the day on which the distributee received the property distributed.

''(B) HARDSHIP EXCEPTION.—The Secretary may waive the 60-day requirement under subparagraph (A) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

(b) IRAS.—Paragraph (3) of section 408(d) (relating to rollover contributions), as amended by section 403, is amended by adding after subparagraph (H) the following new subparagraph:

''(I) WAIVER OF 60-DAY REQUIREMENT.—The Secretary may waive the 60-day requirement under subparagraphs (A) and (D) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after the date of the enactment of this Act.

SEC. 405. TREATMENT OF FORMS OF DISTRIBUTION.

(a) PLAN TRANSFERS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Paragraph (6) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended by adding at the end the following:

''(D) PLAN TRANSFERS.—

''(i) IN GENERAL.—A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the 'transferor plan') to the extent that—

''(I) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan,

''(II) the terms of both the transferor plan and the transferee plan authorize the transfer described in subclause (I),

''(III) the transfer described in subclause (I) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan,

''(IV) the election described in subclause (III) was made after the participant or beneficiary received a notice describing the consequences of making the election, and

''(V) the transferee plan allows the participant or beneficiary described in subclause (III) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(ii) EXCEPTION.—Clause (i) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(E) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regulations, a defined contribution plan shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This subparagraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

''(i) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated, and

''(ii) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.''.

(2) AMENDMENT OF ERISA.—Section 204(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)) is amended by adding at the end the following:

''(4)(A) A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the 'transferor plan') to the extent that—

''(i) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan;

''(ii) the terms of both the transferor plan and the transferee plan authorize the transfer described in clause (i);

''(iii) the transfer described in clause (i) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan;

''(iv) the election described in clause (iii) was made after the participant or beneficiary received a notice describing the consequences of making the election; and

''(v) the transferee plan allows the participant or beneficiary described in clause (iii) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(B) Subparagraph (A) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(5) Except to the extent provided in regulations promulgated by the Secretary of the Treasury, a defined contribution plan shall not be treated as failing to meet the requirements of this subsection merely because of the elimination of a form of distribution previously available thereunder. This paragraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

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

''(B) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2001.

(b) REGULATIONS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Paragraph (6)(B) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended by inserting after the second sentence the following new sentence: ''The Secretary shall by regulations provide that this subparagraph shall not apply to any plan amendment which reduces or eliminates benefits or subsidies which create significant burdens or complexities for the plan and plan participants and does not adversely affect the rights of any participant in a more than de minimis manner.''.

(2) AMENDMENT OF ERISA.—Section 204(g)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)(2)) is amended by inserting before the last sentence the following new sentence: ''The Secretary of the Treasury shall by regulations provide that this paragraph shall not apply to any plan amendment which reduces or eliminates benefits or subsidies which create significant burdens or complexities for the plan and plan participants and does not adversely affect the rights of any participant in a more than de minimis manner.''.

(3) SECRETARY DIRECTED.—Not later than December 31, 2003, the Secretary of the Treasury is directed to issue regulations under section 411(d)(6) of the Internal Revenue Code of 1986 and section 204(g) of the Employee Retirement Income Security Act of 1974, including the regulations required by the amendment made by this subsection. Such regulations shall apply to plan years beginning after December 31, 2003, or such earlier date as is specified by the Secretary of the Treasury.

SEC. 406. RATIONALIZATION OF RESTRICTIONS ON DISTRIBUTIONS.

(a) MODIFICATION OF SAME DESK EXCEPTION.—

(1) SECTION 401(k).—

(A) Section 401(k)(2)(B)(i)(I) (relating to qualified cash or deferred arrangements) is amended by striking ''separation from service'' and inserting ''severance from employment''.

(B) Subparagraph (A) of section 401(k)(10) (relating to distributions upon termination of plan or disposition of assets or subsidiary) is amended to read as follows:

''(A) IN GENERAL.—An event described in this subparagraph is the termination of the plan without establishment or maintenance of another defined contribution plan (other than an employee stock ownership plan as defined in section 4975(e)(7)).''.

(C) Section 401(k)(10) is amended—

(i) in subparagraph (B)—

(I) by striking ''An event'' in clause (i) and inserting ''A termination''; and

(II) by striking ''the event'' in clause (i) and inserting ''the termination'';

(ii) by striking subparagraph (C); and

(iii) by striking ''OR DISPOSITION OF ASSETS OR SUBSIDIARY'' in the heading.

(2) SECTION 403(b).—

(A) Paragraphs (7)(A)(ii) and (11)(A) of section 403(b) are each amended by striking ''separates from service'' and inserting ''has a severance from employment''.

(B) The heading for paragraph (11) of section 403(b) is amended by striking ''SEPARATION FROM SERVICE'' and inserting ''SEVERANCE FROM EMPLOYMENT''.

(3) SECTION 457.—Clause (ii) of section 457(d)(1)(A) is amended by striking ''is separated from service'' and inserting ''has a severance from employment''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after the date of the enactment of this Act.

SEC. 407. PURCHASE OF SERVICE CREDIT IN GOVERNMENTAL DEFINED BENEFIT PLANS.

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

''(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

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

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

(b) 457 PLANS.—Subsection (e) of section 457 is amended by adding after paragraph (16) the following new paragraph:

''(17) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

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

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to trustee-to-trustee transfers after the date of the enactment of this Act.

SEC. 408. EMPLOYERS MAY DISREGARD ROLLOVERS FOR PURPOSES OF CASH-OUT AMOUNTS.

(a) QUALIFIED PLANS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Section 411(a)(11) (relating to restrictions on certain mandatory distributions) is amended by adding at the end the following:

''(D) SPECIAL RULE FOR ROLLOVER CONTRIBUTIONS.—A plan shall not fail to meet the requirements of this paragraph if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16).''.

(2) AMENDMENT OF ERISA.—Section 203(e) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended by adding at the end the following:

''(4) A plan shall not fail to meet the requirements of this subsection if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Internal Revenue Code of 1986.''.

(b) ELIGIBLE DEFERRED COMPENSATION PLANS.—Clause (i) of section 457(e)(9)(A) is amended by striking ''such amount'' and inserting ''the portion of such amount which is not attributable to rollover contributions (as defined in section 411(a)(11)(D))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 409. MINIMUM DISTRIBUTION AND INCLUSION REQUIREMENTS FOR SECTION 457 PLANS.

(a) MINIMUM DISTRIBUTION REQUIREMENTS.—Paragraph (2) of section 457(d) (relating to distribution requirements) is amended to read as follows:

''(2) MINIMUM DISTRIBUTION REQUIREMENTS.—A plan meets the minimum distribution requirements of this paragraph if such plan meets the requirements of section 401(a)(9).''.

(b) INCLUSION IN GROSS INCOME.—

(1) YEAR OF INCLUSION.—Subsection (a) of section 457 (relating to year of inclusion in gross income) is amended to read as follows:

''(a) YEAR OF INCLUSION IN GROSS INCOME.—

''(1) IN GENERAL.—Any amount of compensation deferred under an eligible deferred compensation plan, and any income attributable to the amounts so deferred, shall be includible in gross income only for the taxable year in which such compensation or other income—

''(A) is paid to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(A), and

''(B) is paid or otherwise made available to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(B).

''(2) SPECIAL RULE FOR ROLLOVER AMOUNTS.—To the extent provided in section 72(t)(9), section 72(t) shall apply to any amount includible in gross income under this subsection.''.

(2) CONFORMING AMENDMENTS.—

(A) So much of paragraph (9) of section 457(e) as precedes subparagraph (A) is amended to read as follows:

''(9) BENEFITS OF TAX EXEMPT ORGANIZATION PLANS NOT TREATED AS MADE AVAILABLE BY REASON OF CERTAIN ELECTIONS, ETC.—In the case of an eligible deferred compensation plan of an employer described in subsection (e)(1)(B)—''.

(B) Section 457(d) is amended by adding at the end the following new paragraph:

''(3) SPECIAL RULE FOR GOVERNMENT PLAN.—An eligible deferred compensation plan of an employer described in subsection (e)(1)(A) shall not be treated as failing to meet the requirements of this subsection solely by reason of making a distribution described in subsection (e)(9)(A).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after the date of the enactment of this Act.

TITLE V—STRENGTHENING PENSION SECURITY AND ENFORCEMENT

SEC. 501. REPEAL OF PERCENT OF CURRENT LIABILITY FUNDING LIMIT.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—Section 412(c)(7) (relating to full-funding limitation) is amended—

(1) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2004, the applicable percentage''; and

(2) by amending subparagraph (F) to read as follows:

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

''In the case of any plan year beginning in—	**The applicable percentage is—**
2002	165
2003	170.''.

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

(1) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2004, the applicable percentage''; and

(2) by amending subparagraph (F) to read as follows:

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

''In the case of any plan year beginning in—	**The applicable percentage is—**
2002	165
2003	170.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 502. MAXIMUM CONTRIBUTION DEDUCTION RULES MODIFIED AND APPLIED TO ALL DEFINED BENEFIT PLANS.

(a) IN GENERAL.—Subparagraph (D) of section 404(a)(1) (relating to special rule in case of certain plans) is amended to read as follows:

''(D) SPECIAL RULE IN CASE OF CERTAIN PLANS.—

''(i) IN GENERAL.—In the case of any defined benefit plan, except as provided in regulations, the maximum amount deductible under the limitations of this paragraph shall not be less than the unfunded termination liability (determined as if the proposed termination date referred to in section 4041(b)(2)(A)(i)(II) of the Employee Retirement Income Security Act of 1974 were the last day of the plan year).

''(ii) PLANS WITH LESS THAN 100 PARTICIPANTS.—For purposes of this subparagraph, in the case of a plan which has less than 100 participants for the plan year, termination liability shall not include the liability attributable to benefit increases for highly compensated employees (as defined in section 414(q)) resulting from a plan amendment which is made or becomes effective, whichever is later, within the last 2 years before the termination date.

''(iii) RULE FOR DETERMINING NUMBER OF PARTICIPANTS.—For purposes of determining whether a plan has more than 100 participants, all defined benefit plans maintained by the same employer (or any member of such employer's controlled group (within the meaning of section 412(l)(8)(C))) shall be treated as one plan, but only employees of such member or employer shall be taken into account.

''(iv) PLANS MAINTAINED BY PROFESSIONAL SERVICE EMPLOYERS.—Clause (i) shall not apply to a plan described in section 4021(b)(13) of the Employee Retirement Income Security Act of 1974.''.

(b) CONFORMING AMENDMENT.—Paragraph (6) of section 4972(c) is amended to read as follows:

''(6) EXCEPTIONS.—In determining the amount of nondeductible contributions for any taxable year, there shall not be taken into account so much of the contributions to one or more defined contribution plans which are not deductible when contributed solely because of section 404(a)(7) as does not exceed the greater of—

''(A) the amount of contributions not in excess of 6 percent of compensation (within the meaning of section 404(a)) paid or accrued (during the taxable year for which the contributions were made) to beneficiaries under the plans, or

''(B) the sum of—

''(i) the amount of contributions described in section 401(m)(4)(A), plus

''(ii) the amount of contributions described in section 402(g)(3)(A).

For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to a defined benefit plan and then to amounts described in subparagraph (B).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 503. EXCISE TAX RELIEF FOR SOUND PENSION FUNDING.

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

''(7) DEFINED BENEFIT PLAN EXCEPTION.—In determining the amount of nondeductible contributions for any taxable year, an employer may elect for such year not to take into account any contributions to a defined benefit plan except to the extent that such contributions exceed the full-funding limitation (as defined in section 412(c)(7), determined without regard to subparagraph (A)(i)(I) thereof). For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to defined contribution plans and then to amounts described in this paragraph. If an employer makes an election under this paragraph for a taxable year, paragraph (6) shall not apply to such employer for such taxable year.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 504. EXCISE TAX ON FAILURE TO PROVIDE NOTICE BY DEFINED BENEFIT PLANS SIGNIFICANTLY REDUCING FUTURE BENEFIT ACCRUALS.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—

(1) IN GENERAL.—Chapter 43 (relating to qualified pension, etc., plans) is amended by adding at the end the following new section:

''SEC. 4980F. FAILURE OF APPLICABLE PLANS REDUCING BENEFIT ACCRUALS TO SATISFY NOTICE REQUIREMENTS.

''(a) IMPOSITION OF TAX.—There is hereby imposed a tax on the failure of any applicable pension plan to meet the requirements of subsection (e) with respect to any applicable individual.

''(b) AMOUNT OF TAX.—

''(1) IN GENERAL.—The amount of the tax imposed by subsection (a) on any failure with respect to any applicable individual shall be $100 for each day in the noncompliance period with respect to such failure.

''(2) NONCOMPLIANCE PERIOD.—For purposes of this section, the term 'noncompliance period' means, with respect to any failure, the period beginning on the date the failure first occurs and ending on the date the failure is corrected.

''(c) LIMITATIONS ON AMOUNT OF TAX.—

''(1) OVERALL LIMITATION FOR UNINTENTIONAL FAILURES.—In the case of failures that are due to reasonable cause and not to willful neglect, the tax imposed by subsection (a) for failures during the taxable year of the employer (or, in the case of a multiemployer plan, the taxable year of the trust forming part of the plan) shall not exceed $500,000. For purposes of the preceding sentence, all multiemployer plans of which the same trust forms a part shall be treated as one plan. For purposes of this paragraph, if not all persons who are treated as a single employer for purposes of this section have the same taxable year, the taxable years taken into account shall be determined under principles similar to the principles of section 1561.

''(2) WAIVER BY SECRETARY.—In the case of a failure which is due to reasonable cause and not to willful neglect, the Secretary may waive part or all of the tax imposed by subsection (a) to the extent that the payment of such tax would be excessive relative to the failure involved.

''(d) LIABILITY FOR TAX.—The following shall be liable for the tax imposed by subsection (a):

''(1) In the case of a plan other than a multiemployer plan, the employer.

''(2) In the case of a multiemployer plan, the plan.

''(e) NOTICE REQUIREMENTS FOR PLANS SIGNIFICANTLY REDUCING BENEFIT ACCRUALS.—

''(1) IN GENERAL.—If an applicable pension plan is amended to provide for a significant reduction in the rate of future benefit accrual, the plan administrator shall provide written notice to each applicable individual (and to each employee organization representing applicable individuals).

''(2) NOTICE.—The notice required by paragraph (1) shall be written in a manner calculated to be understood by the average plan participant and shall provide sufficient information (as determined in accordance with regulations prescribed by the Secretary) to allow applicable individuals to understand the effect of the plan amendment. The Secretary may provide a simplified form of notice for, or exempt from any notice requirement, a plan—

''(A) which has fewer than 100 participants who have accrued a benefit under the plan, or

''(B) which offers participants the option to choose between the new benefit formula and the old benefit formula.

''(3) TIMING OF NOTICE.—Except as provided in regulations, the notice required by paragraph (1) shall be provided within a reasonable time before the effective date of the plan amendment.

''(4) DESIGNEES.—Any notice under paragraph (1) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.

''(5) NOTICE BEFORE ADOPTION OF AMENDMENT.—A plan shall not be treated as failing to meet the requirements of paragraph (1) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

''(f) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) APPLICABLE INDIVIDUAL.—The term 'applicable individual' means, with respect to any plan amendment—

''(A) each participant in the plan, and

''(B) any beneficiary who is an alternate payee (within the meaning of section 414(p)(8)) under an applicable qualified domestic relations order (within the meaning of section 414(p)(1)(A)),

whose rate of future benefit accrual under the plan may reasonably be expected to be significantly reduced by such plan amendment.

''(2) APPLICABLE PENSION PLAN.—The term 'applicable pension plan' means—

''(A) any defined benefit plan, or

''(B) an individual account plan which is subject to the funding standards of section 412.

Such term shall not include a governmental plan (within the meaning of section 414(d)) or a church plan (within the meaning of section 414(e)) with respect to which the election provided by section 410(d) has not been made.

''(3) EARLY RETIREMENT.—A plan amendment which eliminates or significantly reduces any early retirement benefit or retirement-type subsidy (within the meaning of section 411(d)(6)(B)(i)) shall be treated as having the effect of significantly reducing the rate of future benefit accrual.

''(g) NEW TECHNOLOGIES.—The Secretary may by regulations allow any notice under subsection (e) to be provided by using new technologies.''.

(2) CLERICAL AMENDMENT.—The table of sections for chapter 43 is amended by adding at the end the following new item:

''Sec. 4980F. Failure of applicable plans reducing benefit accruals to satisfy notice requirements.''.

(b) AMENDMENT OF ERISA.—Section 204(h) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(h)) is amended by adding at the end the following new paragraphs:

''(3)(A) An applicable pension plan to which paragraph (1) applies shall not be treated as meeting the requirements of such paragraph unless, in addition to any notice required to be provided to an individual or organization under such paragraph, the plan administrator provides the notice described in subparagraph (B) to each applicable individual (and to each employee organization representing applicable individuals).

''(B) The notice required by subparagraph (A) shall be written in a manner calculated to be understood by the average plan participant and shall provide sufficient information (as determined in accordance with regulations prescribed by the Secretary of the Treasury) to allow applicable individuals to understand the effect of the plan amendment. The Secretary of the Treasury may provide a simplified form of notice for, or exempt from any notice requirement, a plan—

''(i) which has fewer than 100 participants who have accrued a benefit under the plan, or

''(ii) which offers participants the option to choose between the new benefit formula and the old benefit formula.

''(C) Except as provided in regulations prescribed by the Secretary of the Treasury, the notice required by subparagraph (A) shall be provided within a reasonable time before the effective date of the plan amendment.

''(D) Any notice under subparagraph (A) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.

''(E) A plan shall not be treated as failing to meet the requirements of subparagraph (A) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

''(F) The Secretary of the Treasury may by regulations allow any notice under this paragraph to be provided by using new technologies.

''(4) For purposes of paragraph (3)—

''(A) The term 'applicable individual' means, with respect to any plan amendment—

''(i) each participant in the plan; and

''(ii) any beneficiary who is an alternate payee (within the meaning of section 206(d)(3)(K)) under an applicable qualified domestic relations order (within the meaning of section 206(d)(3)(B)(i)),

whose rate of future benefit accrual under the plan may reasonably be expected to be significantly reduced by such plan amendment.

''(B) The term 'applicable pension plan' means—

''(i) any defined benefit plan; or

''(ii) an individual account plan which is subject to the funding standards of section 412 of the Internal Revenue Code of 1986.

''(C) A plan amendment which eliminates or significantly reduces any early retirement benefit or retirement-type subsidy (within the meaning of subsection (g)(2)(A)) shall be treated as having the effect of significantly reducing the rate of future benefit accrual.''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan amendments taking effect on or after the date of the enactment of this Act.

(2) TRANSITION.—Until such time as the Secretary of the Treasury issues regulations under sections 4980F(e)(2) and (3) of the Internal Revenue Code of 1986, and section 204(h)(3) of the Employee Retirement Income Security Act of 1974, as added by the amendments made by this section, a plan shall be treated as meeting the requirements of such sections if it makes a good faith effort to comply with such requirements.

(3) SPECIAL NOTICE RULE.—The period for providing any notice required by the amendments made by this section shall not end before the date which is 3 months after the date of the enactment of this Act.

(d) STUDY.—The Secretary of the Treasury shall prepare a report on the effects of conversions of traditional defined benefit plans to cash balance or hybrid formula plans. Such study shall examine the effect of such conversions on longer service participants, including the incidence and effects of ''wear away'' provisions under which participants earn no additional benefits for a period of time after the conversion. As soon as practicable, but not later than 60 days after the date of the enactment of this Act, the Secretary shall submit such report, together with recommendations thereon, to the Committee on Ways and Means and the Committee on Education and the Workforce of the House of Representatives and the Committee on Finance and the Committee on Health, Education, Labor, and Pensions of the Senate.

SEC. 505. TREATMENT OF MULTIEMPLOYER PLANS UNDER SECTION 415.

(a) COMPENSATION LIMIT.—

(1) IN GENERAL.—Paragraph (11) of section 415(b) (relating to limitation for defined benefit plans) is amended to read as follows:

''(11) SPECIAL LIMITATION RULE FOR GOVERNMENTAL AND MULTIEMPLOYER PLANS.—In the case of a governmental plan (as defined in section 414(d)) or a multiemployer plan (as defined in section 414(f)), subparagraph (B) of paragraph (1) shall not apply.''.

(2) CONFORMING AMENDMENT.—Section 415(b)(7) (relating to benefits under certain collectively bargained plans) is amended by inserting ''(other than a multiemployer plan)'' after ''defined benefit plan'' in the matter preceding subparagraph (A).

(b) COMBINING AND AGGREGATION OF PLANS.—

(1) COMBINING OF PLANS.—Subsection (f) of section 415 (relating to combining of plans) is amended by adding at the end the following:

''(3) EXCEPTION FOR MULTIEMPLOYER PLANS.—Notwithstanding paragraph (1) and subsection (g), a multiemployer plan (as defined in section 414(f)) shall not be combined or aggregated with any other plan maintained by an employer for purposes of applying the limitations established in this section, except that such plan shall be combined or aggregated with another plan which is not such a multiemployer plan solely for purposes of determining whether such other plan meets the requirements of subsections (b)(1)(A) and (c).''.

(2) CONFORMING AMENDMENT FOR AGGREGATION OF PLANS.—Subsection (g) of section 415 (relating to aggregation of plans) is amended by striking ''The Secretary'' and inserting ''Except as provided in subsection (f)(3), the Secretary''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 506. PROTECTION OF INVESTMENT OF EMPLOYEE CONTRIBUTIONS TO 401(K) PLANS.

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

''(b) EFFECTIVE DATE.—

''(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to elective deferrals for plan years beginning after December 31, 1998.

''(2) NONAPPLICATION TO PREVIOUSLY ACQUIRED PROPERTY.—The amendments made by this section shall not apply to any elective deferral which is invested in assets consisting of qualifying employer securities, qualifying employer real property, or both, if such assets were acquired before January 1, 1999.''.

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

SEC. 507. PERIODIC PENSION BENEFITS STATEMENTS.

(a) IN GENERAL.—Section 105(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025 (a)) is amended to read as follows:

''(a)(1) Except as provided in paragraph (2)—

''(A) the administrator of an individual account plan shall furnish a pension benefit statement—

''(i) to a plan participant at least once annually, and

''(ii) to a plan beneficiary upon written request, and

''(B) the administrator of a defined benefit plan shall furnish a pension benefit statement—

''(i) at least once every 3 years to each participant with a nonforfeitable accrued benefit who is employed by the employer maintaining the plan at the time the statement is furnished to participants, and

''(ii) to a plan participant or plan beneficiary of the plan upon written request.

''(2) Notwithstanding paragraph (1), the administrator of a plan to which more than 1 unaffiliated employer is required to contribute shall only be required to furnish a pension benefit statement under paragraph (1) upon the written request of a participant or beneficiary of the plan.

''(3) A pension benefit statement under paragraph (1)—

''(A) shall indicate, on the basis of the latest available information—

''(i) the total benefits accrued, and

''(ii) the nonforfeitable pension benefits, if any, which have accrued, or the earliest date on which benefits will become nonforfeitable,

''(B) shall be written in a manner calculated to be understood by the average plan participant, and

''(C) may be provided in written, electronic, telephonic, or other appropriate form.

''(4)(A) In the case of a defined benefit plan, the requirements of paragraph (1)(B)(i) shall be treated as met with respect to a participant if the administrator provides the participant at least once each year with notice of the availability of the pension benefit statement and the ways in which the participant may obtain such statement. Such notice shall be provided in written, electronic, telephonic, or other appropriate form, and may be included with other communications to the participant if done in a manner reasonably designed to attract the attention of the participant.

''(B) The Secretary may provide that years in which no employee or former employee benefits (within the meaning of section 410(b) of the Internal Revenue Code of 1986) under the plan need not be taken into account in determining the 3-year period under paragraph (1)(B)(i).''.

(b) CONFORMING AMENDMENTS.—

(1) Section 105 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025) is amended by striking subsection (d).

(2) Section 105(b) of such Act (29 U.S.C. 1025(b)) is amended to read as follows:

''(b) In no case shall a participant or beneficiary of a plan be entitled to more than one statement described in subsection (a)(1)(A) or (a)(1)(B)(ii), whichever is applicable, in any 12-month period.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2002.

SEC. 508. PROHIBITED ALLOCATIONS OF STOCK IN S CORPORATION ESOP.

(a) IN GENERAL.—Section 409 (relating to qualifications for tax credit employee stock ownership plans) is amended by redesignating subsection (p) as subsection (q) and by inserting after subsection (o) the following new subsection:

''(p) PROHIBITED ALLOCATIONS OF SECURITIES IN AN S CORPORATION.—

''(1) IN GENERAL.—An employee stock ownership plan holding employer securities consisting of stock in an S corporation shall provide that no portion of the assets of the plan attributable to (or allocable in lieu of) such employer securities may, during a nonallocation year, accrue (or be allocated directly or indirectly under any plan of the employer meeting the requirements of section 401(a)) for the benefit of any disqualified person.

''(2) FAILURE TO MEET REQUIREMENTS.—

''(A) IN GENERAL.—If a plan fails to meet the requirements of paragraph (1), the plan shall be treated as having distributed to any disqualified person the amount allocated to the account of such person in violation of paragraph (1) at the time of such allocation.

''(B) CROSS REFERENCE.—

''For excise tax relating to violations of paragraph (1) and ownership of synthetic equity, see section 4979A.

''(3) NONALLOCATION YEAR.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'nonallocation year' means any plan year of an employee stock ownership plan if, at any time during such plan year—

''(i) such plan holds employer securities consisting of stock in an S corporation, and

''(ii) disqualified persons own at least 50 percent of the number of shares of stock in the S corporation.

''(B) ATTRIBUTION RULES.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The rules of section 318(a) shall apply for purposes of determining ownership, except that—

''(I) in applying paragraph (1) thereof, the members of an individual's family shall include members of the family described in paragraph (4)(D), and

''(II) paragraph (4) thereof shall not apply.

''(ii) DEEMED-OWNED SHARES.—Notwithstanding the employee trust exception in section 318(a)(2)(B)(i), individual shall be treated as owning deemed-owned shares of the individual.

Solely for purposes of applying paragraph (5), this subparagraph shall be applied after the attribution rules of paragraph (5) have been applied.

''(4) DISQUALIFIED PERSON.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'disqualified person' means any person if—

''(i) the aggregate number of deemed-owned shares of such person and the members of such person's family is at least 20 percent of the number of deemed-owned shares of stock in the S corporation, or

''(ii) in the case of a person not described in clause (i), the number of deemed-owned shares of such person is at least 10 percent of the number of deemed-owned shares of stock in such corporation.

''(B) TREATMENT OF FAMILY MEMBERS.—In the case of a disqualified person described in subparagraph (A)(i), any member of such person's family with deemed-owned shares shall be treated as a disqualified person if not otherwise treated as a disqualified person under subparagraph (A).

''(C) DEEMED-OWNED SHARES.—

''(i) IN GENERAL.—The term 'deemed-owned shares' means, with respect to any person—

''(I) the stock in the S corporation constituting employer securities of an employee stock ownership plan which is allocated to such person under the plan, and

''(II) such person's share of the stock in such corporation which is held by such plan but which is not allocated under the plan to participants.

''(ii) PERSON'S SHARE OF UNALLOCATED STOCK.—For purposes of clause (i)(II), a person's share of unallocated S corporation stock held by such plan is the amount of the unallocated stock which would be allocated to such person if the unallocated stock were allocated to all participants in the same proportions as the most recent stock allocation under the plan.

''(D) MEMBER OF FAMILY.—For purposes of this paragraph, the term 'member of the family' means, with respect to any individual—

''(i) the spouse of the individual,

''(ii) an ancestor or lineal descendant of the individual or the individual's spouse,

''(iii) a brother or sister of the individual or the individual's spouse and any lineal descendant of the brother or sister, and

''(iv) the spouse of any individual described in clause (ii) or (iii).

A spouse of an individual who is legally separated from such individual under a decree of divorce or separate maintenance shall not be treated as such individual's spouse for purposes of this subparagraph.

''(5) TREATMENT OF SYNTHETIC EQUITY.—For purposes of paragraphs (3) and (4), in the case of a person who owns synthetic equity in the S corporation, except to the extent provided in regulations, the shares of stock in such corporation on which such synthetic equity is based shall be treated as outstanding stock in such corporation and deemed-owned shares of such person if such treatment of synthetic equity of 1 or more such persons results in—

''(A) the treatment of any person as a disqualified person, or

''(B) the treatment of any year as a nonallocation year.

For purposes of this paragraph, synthetic equity shall be treated as owned by a person in the same manner as stock is treated as owned by a person under the rules of paragraphs (2) and (3) of section 318(a). If, without regard to this paragraph, a person is treated as a disqualified person or a year is treated as a nonallocation year, this paragraph shall not be construed to result in the person or year not being so treated.

''(6) DEFINITIONS.—For purposes of this subsection—

''(A) EMPLOYEE STOCK OWNERSHIP PLAN.—The term 'employee stock ownership plan' has the meaning given such term by section 4975(e)(7).

''(B) EMPLOYER SECURITIES.—The term 'employer security' has the meaning given such term by section 409(l).

''(C) SYNTHETIC EQUITY.—The term 'synthetic equity' means any stock option, warrant, restricted stock, deferred issuance stock right, or similar interest or right that gives the holder the right to acquire or receive stock of the S corporation in the future. Except to the extent provided in regulations, synthetic equity also includes a stock appreciation right, phantom stock unit, or similar right to a future cash payment based on the value of such stock or appreciation in such value.

''(7) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection.''.

(b) COORDINATION WITH SECTION 4975(e)(7).—The last sentence of section 4975(e)(7) (defining employee stock ownership plan) is amended by inserting '', section 409(p),'' after ''409(n)''.

(c) EXCISE TAX.—

(1) APPLICATION OF TAX.—Subsection (a) of section 4979A (relating to tax on certain prohibited allocations of employer securities) is amended—

(A) by striking ''or'' at the end of paragraph (1), and

(B) by striking all that follows paragraph (2) and inserting the following:

''(3) there is any allocation of employer securities which violates the provisions of section 409(p), or a nonallocation year described in subsection (e)(2)(C) with respect to an employee stock ownership plan, or

''(4) any synthetic equity is owned by a disqualified person in any nonallocation year,

there is hereby imposed a tax on such allocation or ownership equal to 50 percent of the amount involved.''.

(2) LIABILITY.—Section 4979A(c) (defining liability for tax) is amended to read as follows:

''(c) LIABILITY FOR TAX.—The tax imposed by this section shall be paid—

''(1) in the case of an allocation referred to in paragraph (1) or (2) of subsection (a), by—

''(A) the employer sponsoring such plan, or

''(B) the eligible worker-owned cooperative,

which made the written statement described in section 664(g)(1)(E) or in section 1042(b)(3)(B) (as the case may be), and

''(2) in the case of an allocation or ownership referred to in paragraph (3) or (4) of subsection (a), by the S corporation the stock in which was so allocated or owned.''.

(3) DEFINITIONS.—Section 4979A(e) (relating to definitions) is amended to read as follows:

''(e) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) DEFINITIONS.—Except as provided in paragraph (2), terms used in this section have the same respective meanings as when used in sections 409 and 4978.

''(2) SPECIAL RULES RELATING TO TAX IMPOSED BY REASON OF PARAGRAPH (3) OR (4) OF SUBSECTION (a).—

''(A) PROHIBITED ALLOCATIONS.—The amount involved with respect to any tax imposed by reason of subsection (a)(3) is the amount allocated to the account of any person in violation of section 409(p)(1).

''(B) SYNTHETIC EQUITY.—The amount involved with respect to any tax imposed by reason of subsection (a)(4) is the value of the shares on which the synthetic equity is based.

''(C) SPECIAL RULE DURING FIRST NONALLOCATION YEAR.—For purposes of subparagraph (A), the amount involved for the first nonallocation year of any employee stock ownership plan shall be determined by taking into account the total value of all the deemed-owned shares of all disqualified persons with respect to such plan.

''(D) STATUTE OF LIMITATIONS.—The statutory period for the assessment of any tax imposed by this section by reason of paragraph (3) or (4) of subsection (a) shall not expire before the date which is 3 years from the later of—

''(i) the allocation or ownership referred to in such paragraph giving rise to such tax, or

''(ii) the date on which the Secretary is notified of such allocation or ownership.''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan years beginning after December 31, 2004.

(2) EXCEPTION FOR CERTAIN PLANS.—In the case of any—

(A) employee stock ownership plan established after March 14, 2001, or

(B) employee stock ownership plan established on or before such date if employer securities held by the plan consist of stock in a corporation with respect to which an election under section 1362(a) of the Internal Revenue Code of 1986 is not in effect on such date,

the amendments made by this section shall apply to plan years ending after March 14, 2001.

TITLE VI—REDUCING REGULATORY BURDENS

SEC. 601. MODIFICATION OF TIMING OF PLAN VALUATIONS.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—Paragraph (9) of section 412(c)(9) (relating to annual valuation) is amended to read as follows:

''(9) ANNUAL VALUATION.—

''(A) IN GENERAL.—For purposes of this section, a determination of experience gains and losses and a valuation of the plan's liability shall be made not less frequently than once every year, except that such determination shall be made more frequently to the extent required in particular cases under regulations prescribed by the Secretary.

''(B) VALUATION DATE.—

''(i) CURRENT YEAR.—Except as provided in clause (ii), the valuation referred to in subparagraph (A) shall be made as of a date within the plan year to which the valuation refers or within one month prior to the beginning of such year.

''(ii) ELECTION TO USE PRIOR YEAR VALUATION.—The valuation referred to in subparagraph (A) may be made as of a date within the plan year prior to the year to which the valuation refers if—

''(I) an election is in effect under this clause with respect to the plan, and

''(II) as of such date, the value of the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)).

''(iii) ADJUSTMENTS.—Information under clause (ii) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iv) ELECTION.—An election under clause (ii), once made, shall be irrevocable without the consent of the Secretary.''.

(b) AMENDMENT OF ERISA.—Paragraph (9) of section 302(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended—

(1) by inserting ''(A)'' after ''(9)''; and

(2) by adding at the end the following:

''(B)(i) Except as provided in clause (ii), the valuation referred to in subparagraph (A) shall be made as of a date within the plan year to which the valuation refers or within one month prior to the beginning of such year.

''(ii) The valuation referred to in subparagraph (A) may be made as of a date within the plan year prior to the year to which the valuation refers if—

''(I) an election is in effect under this clause with respect to the plan; and

''(II) as of such date, the value of the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)).

''(iii) Information under clause (ii) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iv) An election under clause (ii), once made, shall be irrevocable without the consent of the Secretary of the Treasury.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 602. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT LOSS OF DIVIDEND DEDUCTION.

(a) IN GENERAL.—Section 404(k)(2)(A) (defining applicable dividends) is amended by striking ''or'' at the end of clause (ii), by redesignating clause (iii) as clause (iv), and by inserting after clause (ii) the following new clause:

''(iii) is, at the election of such participants or their beneficiaries—

''(I) payable as provided in clause (i) or (ii), or

''(II) paid to the plan and reinvested in qualifying employer securities, or''.

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

SEC. 603. REPEAL OF TRANSITION RULE RELATING TO CERTAIN HIGHLY COMPENSATED EMPLOYEES.

(a) IN GENERAL.—Paragraph (4) of section 1114(c) of the Tax Reform Act of 1986 is hereby repealed.

(b) EFFECTIVE DATE.—The repeal made by subsection (a) shall apply to plan years beginning after December 31, 2001.

SEC. 604. EMPLOYEES OF TAX-EXEMPT ENTITIES.

(a) IN GENERAL.—The Secretary of the Treasury shall modify Treasury Regulations section 1.410(b)–6(g) to provide that employees of an organization described in section 403(b)(1)(A)(i) of the Internal Revenue Code of 1986 who are eligible to make contributions under section 403(b) of such Code pursuant to a salary reduction agreement may be treated as excludable with respect to a plan under section 401(k) or (m) of such Code that is provided under the same general arrangement as a plan under such section 401(k), if—

(1) no employee of an organization described in section 403(b)(1)(A)(i) of such Code is eligible to participate in such section 401(k) plan or section 401(m) plan; and

(2) 95 percent of the employees who are not employees of an organization described in section 403(b)(1)(A)(i) of such Code are eligible to participate in such plan under such section 401(k) or (m).

(b) EFFECTIVE DATE.—The modification required by subsection (a) shall apply as of the same date set forth in section 1426(b) of the Small Business Job Protection Act of 1996.

SEC. 605. CLARIFICATION OF TREATMENT OF EMPLOYER-PROVIDED RETIREMENT ADVICE.

(a) IN GENERAL.—Subsection (a) of section 132 (relating to exclusion from gross income) is amended by striking ''or'' at the end of paragraph (5), by striking the period at the end of paragraph (6) and inserting '', or'', and by adding at the end the following new paragraph:

''(7) qualified retirement planning services.''.

(b) QUALIFIED RETIREMENT PLANNING SERVICES DEFINED.—Section 132 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following:

''(m) QUALIFIED RETIREMENT PLANNING SERVICES.—

''(1) IN GENERAL.—For purposes of this section, the term 'qualified retirement planning services' means any retirement planning advice or information provided to an employee and his spouse by an employer maintaining a qualified employer plan.

''(2) NONDISCRIMINATION RULE.—Subsection (a)(7) shall apply in the case of highly compensated employees only if such services are available on substantially the same terms to each member of the group of employees normally provided education and information regarding the employer's qualified employer plan.

''(3) QUALIFIED EMPLOYER PLAN.—For purposes of this subsection, the term 'qualified employer plan' means a plan, contract, pension, or account described in section 219(g)(5).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 606. REPORTING SIMPLIFICATION.

(a) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR OWNERS AND THEIR SPOUSES.—

(1) IN GENERAL.—The Secretary of the Treasury shall modify the requirements for filing annual returns with respect to one-participant retirement plans to ensure that such plans with assets of $250,000 or less as of the close of the plan year need not file a return for that year.

(2) ONE-PARTICIPANT RETIREMENT PLAN DEFINED.—For purposes of this subsection, the term ''one-participant retirement plan'' means a retirement plan that—

(A) on the first day of the plan year—

(i) covered only the employer (and the employer's spouse) and the employer owned the entire business (whether or not incorporated); or

(ii) covered only one or more partners (and their spouses) in a business partnership (including partners in an S or C corporation);

(B) meets the minimum coverage requirements of section 410(b) of the Internal Revenue Code of 1986 without being combined with any other plan of the business that covers the employees of the business;

(C) does not provide benefits to anyone except the employer (and the employer's spouse) or the partners (and their spouses);

(D) does not cover a business that is a member of an affiliated service group, a controlled group of corporations, or a group of businesses under common control; and

(E) does not cover a business that leases employees.

(3) OTHER DEFINITIONS.—Terms used in paragraph (2) which are also used in section 414 of the Internal Revenue Code of 1986 shall have the respective meanings given such terms by such section.

(b) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR PLANS WITH FEWER THAN 25 EMPLOYEES.—In the case of a retirement plan

which covers less than 25 employees on the first day of the plan year and meets the requirements described in subparagraphs (B), (D), and (E) of subsection (a)(2), the Secretary of the Treasury shall provide for the filing of a simplified annual return that is substantially similar to the annual return required to be filed by a one-participant retirement plan.

(c) EFFECTIVE DATE.—The provisions of this section shall take effect on January 1, 2002.

SEC. 607. IMPROVEMENT OF EMPLOYEE PLANS COMPLIANCE RESOLUTION SYSTEM.

The Secretary of the Treasury shall continue to update and improve the Employee Plans Compliance Resolution System (or any successor program) giving special attention to—

(1) increasing the awareness and knowledge of small employers concerning the availability and use of the program;

(2) taking into account special concerns and circumstances that small employers face with respect to compliance and correction of compliance failures;

(3) extending the duration of the self-correction period under the Administrative Policy Regarding Self-Correction for significant compliance failures;

(4) expanding the availability to correct insignificant compliance failures under the Administrative Policy Regarding Self-Correction during audit; and

(5) assuring that any tax, penalty, or sanction that is imposed by reason of a compliance failure is not excessive and bears a reasonable relationship to the nature, extent, and severity of the failure.

SEC. 608. REPEAL OF THE MULTIPLE USE TEST.

(a) IN GENERAL.—Paragraph (9) of section 401(m) is amended to read as follows:

''(9) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection and subsection (k), including regulations permitting appropriate aggregation of plans and contributions.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 609. FLEXIBILITY IN NONDISCRIMINATION, COVERAGE, AND LINE OF BUSINESS RULES.

(a) NONDISCRIMINATION.—

(1) IN GENERAL.—The Secretary of the Treasury shall, by regulation, provide that a plan shall be deemed to satisfy the requirements of section 401(a)(4) of the Internal Revenue Code of 1986 if such plan satisfies the facts and circumstances test under section 401(a)(4) of such Code, as in effect before January 1, 1994, but only if—

(A) the plan satisfies conditions prescribed by the Secretary to appropriately limit the availability of such test; and

(B) the plan is submitted to the Secretary for a determination of whether it satisfies such test.

Subparagraph (B) shall only apply to the extent provided by the Secretary.

(2) EFFECTIVE DATES.—

(A) REGULATIONS.—The regulation required by paragraph (1) shall apply to years beginning after December 31, 2003.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under paragraph (1)(A) shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

(b) COVERAGE TEST.—

(1) IN GENERAL.—Section 410(b)(1) (relating to minimum coverage requirements) is amended by adding at the end the following:

''(D) In the case that the plan fails to meet the requirements of subparagraphs (A), (B) and (C), the plan—

''(i) satisfies subparagraph (B), as in effect immediately before the enactment of the Tax Reform Act of 1986,

''(ii) is submitted to the Secretary for a determination of whether it satisfies the requirement described in clause (i), and

''(iii) satisfies conditions prescribed by the Secretary by regulation that appropriately limit the availability of this subparagraph.

Clause (ii) shall apply only to the extent provided by the Secretary.''.

(2) EFFECTIVE DATES.—

(A) IN GENERAL.—The amendment made by paragraph (1) shall apply to years beginning after December 31, 2003.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under regulations prescribed by the Secretary under section 410(b)(1)(D) of the Internal Revenue Code of 1986 shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

(c) LINE OF BUSINESS RULES.—The Secretary of the Treasury shall, on or before December 31, 2003, modify the existing regulations issued under section 414(r) of the Internal Revenue Code of 1986 in order to expand (to the extent that the Secretary determines appropriate) the ability of a pension plan to demonstrate compliance with the line of business requirements based upon the facts and circumstances surrounding the design and operation of the plan, even though the plan is unable to satisfy the mechanical tests currently used to determine compliance.

SEC. 610. EXTENSION TO ALL GOVERNMENTAL PLANS OF MORATORIUM ON APPLICATION OF CERTAIN NONDISCRIMINATION RULES APPLICABLE TO STATE AND LOCAL PLANS.

(a) IN GENERAL.—

(1) Subparagraph (G) of section 401(a)(5) and subparagraph (H) of section 401(a)(26) are each amended by striking ''section 414(d))'' and all that follows and inserting ''section 414(d)).''.

(2) Subparagraph (G) of section 401(k)(3) and paragraph (2) of section 1505(d) of the Taxpayer Relief Act of 1997 are each amended by striking ''maintained by a State or local government or political subdivision thereof (or agency or instrumentality thereof)''.

(b) CONFORMING AMENDMENTS.—

(1) The heading for subparagraph (G) of section 401(a)(5) is amended to read as follows: ''GOVERNMENTAL PLANS''.

(2) The heading for subparagraph (H) of section 401(a)(26) is amended to read as follows: ''EXCEPTION FOR GOVERNMENTAL PLANS''.

(3) Subparagraph (G) of section 401(k)(3) is amended by inserting ''GOVERNMENTAL PLANS.—'' after ''(G)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 611. NOTICE AND CONSENT PERIOD REGARDING DISTRIBUTIONS.

(a) EXPANSION OF PERIOD.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—

(A) IN GENERAL.—Subparagraph (A) of section 417(a)(6) is amended by striking ''90-day'' and inserting ''180-day''.

(B) MODIFICATION OF REGULATIONS.—The Secretary of the Treasury shall modify the regulations under sections 402(f), 411(a)(11), and 417 of the Internal Revenue Code of 1986 to substitute ''180 days'' for ''90 days'' each place it appears in Treasury Regulations sections 1.402(f)–1, 1.411(a)–11(c), and 1.417(e)–1(b).

(2) AMENDMENT OF ERISA.—Section 205(c)(7)(A) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1055(c)(7)(A)) is amended by striking ''90-day'' and inserting ''180-day''.

(3) EFFECTIVE DATE.—The amendments made by paragraph (1)(A) and (2) and the modifications required by paragraph (1)(B) shall apply to years beginning after December 31, 2001.

(b) CONSENT REGULATION INAPPLICABLE TO CERTAIN DISTRIBUTIONS.—

(1) IN GENERAL.—The Secretary of the Treasury shall modify the regulations under section 411(a)(11) of the Internal Revenue Code of 1986 to provide that the description of a participant's right, if any, to defer receipt of a distribution shall also describe the consequences of failing to defer such receipt.

(2) EFFECTIVE DATE.—The modifications required by paragraph (1) shall apply to years beginning after December 31, 2001.

SEC. 612. ANNUAL REPORT DISSEMINATION.

(a) REPORT AVAILABLE THROUGH ELECTRONIC MEANS.—Section 104(b)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1024(b)(3)) is amended by adding at the end the following new sentence: ''The requirement to furnish information under the previous sentence shall be satisfied if the administrator makes such information reasonably available through electronic means or other new technology.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to reports for years beginning after December 31, 2000.

SEC. 623. TECHNICAL CORRECTIONS TO SAVER ACT.

Section 517 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1147) is amended—

(1) in subsection (a), by striking ''2001 and 2005 on or after September 1 of each year involved'' and inserting ''2001, 2005, and 2009 in the month of September of each year involved'';

(2) in subsection (b), by adding at the end the following new sentence: ''To effectuate the purposes of this paragraph, the Secretary may enter into a cooperative agreement, pursuant to the Federal Grant and Cooperative Agreement Act of 1977 (31 U.S.C. 6301 et seq.), with the American Savings Education Council.'';

(3) in subsection (e)(2)—

(A) by striking ''Committee on Labor and Human Resources'' in subparagraph (D) and inserting ''Committee on Health, Education, Labor, and Pensions'';

(B) by striking subparagraph (F) and inserting the following:

''(F) the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the House of Representatives and the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the Senate;'';

(C) by redesignating subparagraph (G) as subparagraph (J); and

(D) by inserting after subparagraph (F) the following new subparagraphs:

''(G) the Chairman and Ranking Member of the Committee on Finance of the Senate;

''(H) the Chairman and Ranking Member of the Committee on Ways and Means of the House of Representatives;

''(I) the Chairman and Ranking Member of the Subcommittee on Employer-Employee Relations of the Committee on Education and the Workforce of the House of Representatives; and'';

(4) in subsection (e)(3)(A)—

(A) by striking ''There shall be no more than 200 additional participants.'' and inserting ''The participants in the National Summit shall also include additional participants appointed under this subparagraph.'';

(B) by striking ''one-half shall be appointed by the President,'' in clause (i) and inserting ''not more than 100 participants shall be appointed under this clause by the President,'', and by striking ''and'' at the end of clause (i);

(C) by striking ''one-half shall be appointed by the elected leaders of Congress'' in clause (ii) and inserting ''not more than 100 participants shall be appointed under this clause by the elected leaders of Congress'', and by striking the period at the end of clause (ii) and inserting ''; and'';

(D) by adding at the end the following new clause:

''(iii) The President, in consultation with the elected leaders of Congress referred to in subsection (a), may appoint under this clause additional participants to the National Summit. The number of such additional participants appointed under this clause may not exceed the lesser of 3 percent of the total number of all additional participants appointed under this paragraph, or 10. Such additional participants shall be appointed from persons nominated by the organization referred to in subsection (b)(2) which is made up of private sector businesses and associations partnered with Government entities to promote long term financial security in retirement through savings and with which the Secretary is required thereunder to consult and cooperate and shall not be Federal, State, or local government employees.'';

(5) in subsection (e)(3)(B), by striking ''January 31, 1998'' in subparagraph (B) and inserting ''May 1, 2001, May 1, 2005, and May 1, 2009, for each of the subsequent summits, respectively'';

(6) in subsection (f)(1)(C), by inserting '', no later than 90 days prior to the date of the commencement of the National Summit,'' after ''comment'' in paragraph (1)(C);

(7) in subsection (g), by inserting '', in consultation with the congressional leaders specified in subsection (e)(2),'' after ''report'';

(8) in subsection (i)—

(A) by striking ''beginning on or after October 1, 1997'' in paragraph (1) and inserting ''2001, 2005, and 2009''; and

(B) by adding at the end the following new paragraph:

''(3) RECEPTION AND REPRESENTATION AUTHORITY.—The Secretary is hereby granted reception and representation authority limited specifically to the events at the National Summit. The Secretary shall use any private contributions accepted in connection with the National Summit prior to using funds appropriated for purposes of the National Summit pursuant to this paragraph.''; and

(9) in subsection (k)—

(A) by striking ''shall enter into a contract on a sole-source basis'' and inserting ''may enter into a contract on a sole-source basis''; and

(B) by striking ''fiscal year 1998'' and inserting ''fiscal years 2001, 2005, and 2009''.

TITLE VII—OTHER ERISA PROVISIONS

SEC. 701. MISSING PARTICIPANTS.

(a) IN GENERAL.—Section 4050 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1350) is amended by redesignating subsection (c) as subsection (e) and by inserting after subsection (b) the following new subsections:

''(c) MULTIEMPLOYER PLANS.—The corporation shall prescribe rules similar to the rules in subsection (a) for multiemployer plans covered by this title that terminate under section 4041A.

''(d) PLANS NOT OTHERWISE SUBJECT TO TITLE.—

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

''(2) INFORMATION TO THE CORPORATION.—To the extent provided in regulations, the plan administrator of a plan described in paragraph (4) shall, upon termination of the plan, provide the corporation information with respect to benefits of a missing participant if the plan transfers such benefits—

''(A) to the corporation, or

''(B) to an entity other than the corporation or a plan described in paragraph (4)(B)(ii).

''(3) PAYMENT BY THE CORPORATION.—If benefits of a missing participant were transferred to the corporation under paragraph (1), the corporation shall, upon location of the participant or beneficiary, pay to the participant or beneficiary the amount transferred (or the appropriate survivor benefit) either—

''(A) in a single sum (plus interest), or

''(B) in such other form as is specified in regulations of the corporation.

''(4) PLANS DESCRIBED.—A plan is described in this paragraph if—

''(A) the plan is a pension plan (within the meaning of section 3(2))—

''(i) to which the provisions of this section do not apply (without regard to this subsection), and

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

''(B) at the time the assets are to be distributed upon termination, the plan—

''(i) has missing participants, and

''(ii) has not provided for the transfer of assets to pay the benefits of all missing participants to another pension plan (within the meaning of section 3(2)).

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

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions made after final regulations implementing subsections (c) and (d) of section 4050 of the Employee Retirement Income Security Act of 1974 (as added by subsection (a)), respectively, are prescribed.

SEC. 702. REDUCED PBGC PREMIUM FOR NEW PLANS OF SMALL EMPLOYERS.

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

(1) in clause (i), by inserting ''other than a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined),'' after ''single-employer plan,'',

(2) in clause (iii), by striking the period at the end and inserting '', and'', and

(3) by adding at the end the following new clause:

''(iv) in the case of a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined) for the plan year, $5 for each individual who is a participant in such plan during the plan year.''.

(b) DEFINITION OF NEW SINGLE-EMPLOYER PLAN.—Section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)) is amended by adding at the end the following new subparagraph:

''(F)(i) For purposes of this paragraph, a single-employer plan maintained by a contributing sponsor shall be treated as a new single-employer plan for each of its first 5 plan years if, during the 36-month period ending on the date of the adoption of such plan, the sponsor or any member of such sponsor's controlled group (or any predecessor of either) did not establish or maintain a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new single-employer plan.

''(ii)(I) For purposes of this paragraph, the term 'small employer' means an employer which on the first day of any plan year has, in aggregation with all members of the controlled group of such employer, 100 or fewer employees.

''(II) In the case of a plan maintained by two or more contributing sponsors that are not part of the same controlled group, the employees of all contributing sponsors and controlled groups of such sponsors shall be aggregated for purposes of determining whether any contributing sponsor is a small employer.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plans established after December 31, 2001.

SEC. 703. REDUCTION OF ADDITIONAL PBGC PREMIUM FOR NEW AND SMALL PLANS.

(a) NEW PLANS.—Subparagraph (E) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(E)) is amended by adding at the end the following new clause:

''(v) In the case of a new defined benefit plan, the amount determined under clause (ii) for any plan year shall be an amount equal to the product of the amount determined under clause (ii) and the applicable percentage. For purposes of this clause, the term 'applicable percentage' means—

''(I) 0 percent, for the first plan year.

''(II) 20 percent, for the second plan year.

''(III) 40 percent, for the third plan year.

''(IV) 60 percent, for the fourth plan year.

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

For purposes of this clause, a defined benefit plan (as defined in section 3(35)) maintained by a contributing sponsor shall be treated as a new defined benefit plan for each of its first 5 plan years if, during the 36-month period ending on the date of the adoption of the plan, the sponsor and each member of any controlled group including the sponsor (or any predecessor of either) did not establish or maintain a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new plan.''.

(b) SMALL PLANS.—Paragraph (3) of section 4006(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)), as amended by section 702(b), is amended—

(1) by striking ''The'' in subparagraph (E)(i) and inserting ''Except as provided in subparagraph (G), the'', and

(2) by inserting after subparagraph (F) the following new subparagraph:

''(G)(i) In the case of an employer who has 25 or fewer employees on the first day of the plan year, the additional premium determined under subparagraph (E) for each participant shall not exceed $5 multiplied by the number of participants in the plan as of the close of the preceding plan year.

''(ii) For purposes of clause (i), whether an employer has 25 or fewer employees on the first day of the plan year is determined taking into consideration all of the employees of all members of the contributing sponsor's controlled group. In the case of a plan maintained by two or more contributing sponsors, the employees of all contributing sponsors and their controlled groups shall be aggregated for purposes of determining whether the 25-or-fewer-employees limitation has been satisfied.''.

(c) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendments made by subsection (a) shall apply to plans established after December 31, 2001.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to plan years beginning after December 31, 2001.

SEC. 704. AUTHORIZATION FOR PBGC TO PAY INTEREST ON PREMIUM OVERPAYMENT REFUNDS.

(a) IN GENERAL.—Section 4007(b) of the Employment Retirement Income Security Act of 1974 (29 U.S.C. 1307(b)) is amended—

(1) by striking ''(b)'' and inserting ''(b)(1)'', and

(2) by inserting at the end the following new paragraph:

''(2) The corporation is authorized to pay, subject to regulations prescribed by the corporation, interest on the amount of any overpayment of premium refunded to a designated payor. Interest under this paragraph shall be calculated at the same rate and in the same manner as interest is calculated for underpayments under paragraph (1).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to interest accruing for periods beginning not earlier than the date of the enactment of this Act.

SEC. 705. SUBSTANTIAL OWNER BENEFITS IN TERMINATED PLANS.

(a) MODIFICATION OF PHASE-IN OF GUARANTEE.—Section 4022(b)(5) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1322(b)(5)) is amended to read as follows:

''(5)(A) For purposes of this paragraph, the term 'majority owner' means an individual who, at any time during the 60-month period ending on the date the determination is being made—

''(i) owns the entire interest in an unincorporated trade or business,

''(ii) in the case of a partnership, is a partner who owns, directly or indirectly, 50 percent or more of either the capital interest or the profits interest in such partnership, or

''(iii) in the case of a corporation, owns, directly or indirectly, 50 percent or more in value of either the voting stock of that corporation or all the stock of that corporation.

For purposes of clause (iii), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).

''(B) In the case of a participant who is a majority owner, the amount of benefits guaranteed under this section shall equal the product of—

''(i) a fraction (not to exceed 1) the numerator of which is the number of years from the later of the effective date or the adoption date of the plan to the termination date, and the denominator of which is 10, and

''(ii) the amount of benefits that would be guaranteed under this section if the participant were not a majority owner.''.

(b) MODIFICATION OF ALLOCATION OF ASSETS.—

(1) Section 4044(a)(4)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1344(a)(4)(B)) is amended by striking ''section 4022(b)(5)'' and inserting ''section 4022(b)(5)(B)''.

(2) Section 4044(b) of such Act (29 U.S.C. 1344(b)) is amended—

(A) by striking ''(5)'' in paragraph (2) and inserting ''(4), (5),'', and

(B) by redesignating paragraphs (3) through (6) as paragraphs (4) through (7), respectively, and by inserting after paragraph (2) the following new paragraph:

''(3) If assets available for allocation under paragraph (4) of subsection (a) are insufficient to satisfy in full the benefits of all individuals who are described in that paragraph, the assets shall be allocated first to benefits described in subparagraph (A) of that paragraph. Any remaining assets shall then be allocated to benefits described in subparagraph (B) of that paragraph. If assets allocated to such subparagraph (B) are insufficient to satisfy in full the benefits described in that subparagraph, the assets shall be allocated pro rata among individuals on the basis of the present value (as of the termination date) of their respective benefits described in that subparagraph.''.

(c) CONFORMING AMENDMENTS.—

(1) Section 4021 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1321) is amended—

(A) in subsection (b)(9), by striking ''as defined in section 4022(b)(6)'', and

(B) by adding at the end the following new subsection:

''(d) For purposes of subsection (b)(9), the term 'substantial owner' means an individual who, at any time during the 60-month period ending on the date the determination is being made—

''(1) owns the entire interest in an unincorporated trade or business,

''(2) in the case of a partnership, is a partner who owns, directly or indirectly, more than 10 percent of either the capital interest or the profits interest in such partnership, or

''(3) in the case of a corporation, owns, directly or indirectly, more than 10 percent in value of either the voting stock of that corporation or all the stock of that corporation.

For purposes of paragraph (3), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).''.

(2) Section 4043(c)(7) of such Act (29 U.S.C. 1343(c)(7)) is amended by striking ''section 4022(b)(6)'' and inserting ''section 4021(d)''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to plan terminations—

(A) under section 4041(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1341(c)) with respect to which notices of intent to terminate are provided under section 4041(a)(2) of such Act (29 U.S.C. 1341(a)(2)) after December 31, 2001, and

(B) under section 4042 of such Act (29 U.S.C. 1342) with respect to which proceedings are instituted by the corporation after such date.

(2) CONFORMING AMENDMENTS.—The amendments made by subsection (c) shall take effect on January 1, 2002.

SEC. 706. CIVIL PENALTIES FOR BREACH OF FIDUCIARY RESPONSIBILITY.

(a) IMPOSITION AND AMOUNT OF PENALTY MADE DISCRETIONARY.—Section 502(l)(1) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(l)(1)) is amended—

(1) by striking ''shall'' and inserting ''may'', and

(2) by striking ''equal to'' and inserting ''not greater than''.

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

''(2) For purposes of paragraph (1), the term 'applicable recovery amount' means any amount which is recovered from any fiduciary or other person (or from any other person on behalf of any such fiduciary or other person) with respect to a breach or violation described in paragraph (1) on or after the 30th day following receipt by such fiduciary or other person of written notice from the Secretary of the violation, whether paid voluntarily or by order of a court in a judicial proceeding instituted by the Secretary under subsection (a)(2) or (a)(5). The Secretary may, in the Secretary's sole discretion, extend the 30-day period described in the preceding sentence.''.

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

''(5) A person shall be jointly and severally liable for the penalty described in paragraph (1) to the same extent that such person is jointly and severally liable for the applicable recovery amount on which the penalty is based.

''(6) No penalty shall be assessed under this subsection unless the person against whom the penalty is assessed is given notice and opportunity for a hearing with respect to the violation and applicable recovery amount.''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to any breach of fiduciary responsibility or other violation of part 4 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 occurring on or after the date of enactment of this Act.

(2) TRANSITION RULE.—In applying the amendment made by subsection (b) (relating to applicable recovery amount), a breach or other violation occurring before the date of enactment of this Act which continues after the 180th day after such date (and which may have been discontinued at any time during its existence) shall be treated as having occurred after such date of enactment.

SEC. 707. BENEFIT SUSPENSION NOTICE.

(a) MODIFICATION OF REGULATION.—The Secretary of Labor shall modify the regulation under section 203(a)(3)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)(3)(B)) to provide that the notification required by such regulation—

(1) in the case of an employee who returns to work for a former employer after commencement of payment of benefits under the plan shall—

(A) be made during the first calendar month or payroll period in which the plan withholds payments, and

(B) if a reduced rate of future benefit accruals will apply to the returning employee (as of the first date of participation in the plan by the employee after returning to work), include a statement that the rate of future benefit accruals will be reduced, and

(2) in the case of any employee who is not described in paragraph (1)—

(A) may be included in the summary plan description for the plan furnished in accordance with section 104(b) of such Act (29 U.S.C. 1024(b)), rather than in a separate notice, and

(B) need not include a copy of the relevant plan provisions.

(b) EFFECTIVE DATE.—The modification made under this section shall apply to plan years beginning after December 31, 2001.

TITLE VIII—PLAN AMENDMENTS

SEC. 801. PROVISIONS RELATING TO PLAN AMENDMENTS.

(a) IN GENERAL.—If this section applies to any plan or contract amendment—

(1) such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in subsection (b)(2)(A); and

(2) except as provided by the Secretary of the Treasury, such plan shall not fail to meet the requirements of section 411(d)(6) of the Internal Revenue Code of 1986 or section 204(g) of the Employee Retirement Income Security Act of 1974 by reason of such amendment.

(b) AMENDMENTS TO WHICH SECTION APPLIES.—

(1) IN GENERAL.—This section shall apply to any amendment to any plan or annuity contract which is made—

(A) pursuant to any amendment made by this Act, or pursuant to any regulation issued under this Act; and

(B) on or before the last day of the first plan year beginning on or after January 1, 2004.

In the case of a governmental plan (as defined in section 414(d) of the Internal Revenue Code of 1986), this paragraph shall be applied by substituting ''2006'' for ''2004''.

(2) CONDITIONS.—This section shall not apply to any amendment unless—

(A) during the period—

(i) beginning on the date the legislative or regulatory amendment described in paragraph (1)(A) takes effect (or in the case of a plan or contract amendment not required by such legislative or regulatory amendment, the effective date specified by the plan); and

(ii) ending on the date described in paragraph (1)(B) (or, if earlier, the date the plan or contract amendment is adopted),

the plan or contract is operated as if such plan or contract amendment were in effect; and

(B) such plan or contract amendment applies retroactively for such period.

The SPEAKER pro tempore (Mr. THORNBERRY). In lieu of the amendment recommended by the Committee on Ways and Means and the amendment recommended by the Committee on Education and the Workforce printed in the bill, the amendment in the nature of a substitute printed in the CONGRESSIONAL RECORD and numbered 1 is adopted.

The text of H.R. 10, as amended pursuant to House Resolution 127 is as follows:

SECTION 1. SHORT TITLE; REFERENCES; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Comprehensive Retirement Security and Pension Reform Act of 2001''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

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

Sec. 1. Short title; references; table of contents.

TITLE I—INDIVIDUAL RETIREMENT ACCOUNT PROVISIONS

Sec. 101. Modification of IRA contribution limits.

TITLE II—EXPANDING COVERAGE

Sec. 201. Increase in benefit and contribution limits.
Sec. 202. Plan loans for subchapter S owners, partners, and sole proprietors.
Sec. 203. Modification of top-heavy rules.
Sec. 204. Elective deferrals not taken into account for purposes of deduction limits.
Sec. 205. Repeal of coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations.
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Sec. 610. Extension to all governmental plans of moratorium on application of certain nondiscrimination rules applicable to State and local plans.
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TITLE VII—OTHER ERISA PROVISIONS

Sec. 701. Missing participants.
Sec. 702. Reduced PBGC premium for new plans of small employers.
Sec. 703. Reduction of additional PBGC premium for new and small plans.
Sec. 704. Authorization for PBGC to pay interest on premium overpayment refunds.
Sec. 705. Substantial owner benefits in terminated plans.
Sec. 706. Civil penalties for breach of fiduciary responsibility.
Sec. 707. Benefit suspension notice.
Sec. 708. Studies.

TITLE VIII—PLAN AMENDMENTS

Sec. 801. Provisions relating to plan amendments.

TITLE I—INDIVIDUAL RETIREMENT ACCOUNTS

SEC. 101. MODIFICATION OF IRA CONTRIBUTION LIMITS.

(a) INCREASE IN CONTRIBUTION LIMIT.—

(1) IN GENERAL.—Paragraph (1)(A) of section 219(b) (relating to maximum amount of deduction) is amended by striking ''$2,000'' and inserting ''the deductible amount''.

(2) DEDUCTIBLE AMOUNT.—Section 219(b) is amended by adding at the end the following new paragraph:

''(5) DEDUCTIBLE AMOUNT.—For purposes of paragraph (1)(A)—

''(A) IN GENERAL.—The deductible amount shall be determined in accordance with the following table:

"For taxable years beginning in:	The deductible amount is:
2002	$3,000
2003	$4,000
2004 and thereafter	$5,000.

''(B) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS 50 OR OLDER.—In the case of an individual who has attained the age of 50 before the close of the taxable year, the deductible amount for taxable years beginning in 2002 or 2003 shall be $5,000.

''(C) COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2004, the $5,000 amount under subparagraph (A) shall be increased by an amount equal to—

''(I) such dollar amount, multiplied by

''(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2003' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of $500, such amount shall be rounded to the next lower multiple of $500.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 408(a)(1) is amended by striking ''in excess of $2,000 on behalf of any individual'' and inserting ''on behalf of any individual in excess of the amount in effect for such taxable year under section 219(b)(1)(A)''.

(2) Section 408(b)(2)(B) is amended by striking ''$2,000'' and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(3) Section 408(b) is amended by striking ''$2,000'' in the matter following paragraph (4) and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(4) Section 408(j) is amended by striking ''$2,000''.

(5) Section 408(p)(8) is amended by striking ''$2,000'' and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

TITLE II—EXPANDING COVERAGE

SEC. 201. INCREASE IN BENEFIT AND CONTRIBUTION LIMITS.

(a) DEFINED BENEFIT PLANS.—

(1) DOLLAR LIMIT.—

(A) Subparagraph (A) of section 415(b)(1) (relating to limitation for defined benefit plans) is amended by striking ''$90,000'' and inserting ''$160,000''.

(B) Subparagraphs (C) and (D) of section 415(b)(2) are each amended by striking ''$90,000'' each place it appears in the headings and the text and inserting ''$160,000''.

(C) Paragraph (7) of section 415(b) (relating to benefits under certain collectively bargained plans) is amended by striking ''the greater of $68,212 or one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$90,000' '' and inserting ''one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$160,000' ''.

(2) LIMIT REDUCED WHEN BENEFIT BEGINS BEFORE AGE 62.—Subparagraph (C) of section 415(b)(2) is amended by striking ''the social security retirement age'' each place it appears in the heading and text and inserting ''age 62'' and by striking the second sentence.

(3) LIMIT INCREASED WHEN BENEFIT BEGINS AFTER AGE 65.—Subparagraph (D) of section 415(b)(2) is amended by striking ''the social security retirement age'' each place it appears in the heading and text and inserting ''age 65''.

(4) COST-OF-LIVING ADJUSTMENTS.—Subsection (d) of section 415 (related to cost-of-living adjustments) is amended—

(A) by striking ''$90,000'' in paragraph (1)(A) and inserting ''$160,000''; and

(B) in paragraph (3)(A)—

(i) by striking ''$90,000'' in the heading and inserting ''$160,000''; and

(ii) by striking ''October 1, 1986'' and inserting ''July 1, 2001''.

(5) CONFORMING AMENDMENTS.—

(A) Section 415(b)(2) is amended by striking subparagraph (F).

(B) Section 415(b)(9) is amended to read as follows:

''(9) SPECIAL RULE FOR COMMERCIAL AIRLINE PILOTS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), in the case of any participant who is a commercial airline pilot, if, as of the time of the participant's retirement, regulations prescribed by the Federal Aviation Administration require an individual to separate from service as a commercial airline pilot after attaining any age occurring on or after age 60 and before age 62, paragraph (2)(C) shall be applied by substituting such age for age 62.

''(B) INDIVIDUALS WHO SEPARATE FROM SERVICE BEFORE AGE 60.—If a participant described in subparagraph (A) separates from service before age 60, the rules of paragraph (2)(C) shall apply.''.

(C) Section 415(b)(10)(C)(i) is amended by striking ''applied without regard to paragraph (2)(F)''.

(b) DEFINED CONTRIBUTION PLANS.—

(1) DOLLAR LIMIT.—Subparagraph (A) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking ''$30,000'' and inserting ''$40,000''.

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

(A) by striking ''$30,000'' in paragraph (1)(C) and inserting ''$40,000''; and

(B) in paragraph (3)(D)—

(i) by striking ''$30,000'' in the heading and inserting ''$40,000''; and

(ii) by striking ''October 1, 1993'' and inserting ''July 1, 2001''.

(c) QUALIFIED TRUSTS.—

(1) COMPENSATION LIMIT.—Sections 401(a)(17), 404(l), 408(k), and 505(b)(7) are each amended by striking ''$150,000'' each place it appears and inserting ''$200,000''.

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

(A) by striking ''October 1, 1993'' and inserting ''July 1, 2001''; and

(B) by striking ''$10,000'' both places it appears and inserting ''$5,000''.

(d) ELECTIVE DEFERRALS.—

(1) IN GENERAL.—Paragraph (1) of section 402(g) (relating to limitation on exclusion for elective deferrals) is amended to read as follows:

''(1) IN GENERAL.—

''(A) LIMITATION.—Notwithstanding subsections (e)(3) and (h)(1)(B), the elective deferrals of any individual for any taxable year shall be included in such individual's gross income to the extent the amount of such deferrals for the taxable year exceeds the applicable dollar amount.

''(B) APPLICABLE DOLLAR AMOUNT.—For purposes of subparagraph (A), the applicable dollar amount shall be the amount determined in accordance with the following table:

"For taxable years beginning in calendar year:	The applicable dollar amount:
2002	$11,000
2003	$12,000
2004	$13,000
2005	$14,000
2006 or thereafter	$15,000.''.

(2) COST-OF-LIVING ADJUSTMENT.—Paragraph (5) of section 402(g) is amended to read as follows:

''(5) COST-OF-LIVING ADJUSTMENT.—In the case of taxable years beginning after December 31, 2006, the Secretary shall adjust the $15,000 amount under paragraph (1)(B) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2005, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

(A) Section 402(g) (relating to limitation on exclusion for elective deferrals), as amended by paragraphs (1) and (2), is further amended by striking paragraph (4) and redesignating paragraphs (5), (6), (7), (8), and (9) as paragraphs (4), (5), (6), (7), and (8), respectively.

(B) Paragraph (2) of section 457(c) is amended by striking ''402(g)(8)(A)(iii)'' and inserting ''402(g)(7)(A)(iii)''.

(C) Clause (iii) of section 501(c)(18)(D) is amended by striking ''(other than paragraph (4) thereof)''.

(e) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations) is amended—

(A) in subsections (b)(2)(A) and (c)(1) by striking ''$7,500'' each place it appears and inserting ''the applicable dollar amount''; and

(B) in subsection (b)(3)(A) by striking ''$15,000'' and inserting ''twice the dollar amount in effect under subsection (b)(2)(A)''.

(2) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—Paragraph (15) of section 457(e) is amended to read as follows:

''(15) APPLICABLE DOLLAR AMOUNT.—

''(A) IN GENERAL.—The applicable dollar amount shall be the amount determined in accordance with the following table:

"For taxable years beginning in calendar year:	The applicable dollar amount:
2002	$11,000
2003	$12,000
2004	$13,000
2005	$14,000
2006 or thereafter	$15,000.

''(B) COST-OF-LIVING ADJUSTMENTS.—In the case of taxable years beginning after December 31, 2006, the Secretary shall adjust the $15,000 amount under subparagraph (A) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2005, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(f) SIMPLE RETIREMENT ACCOUNTS.—

(1) LIMITATION.—Clause (ii) of section 408(p)(2)(A) (relating to general rule for qualified salary reduction arrangement) is amended by striking ''$6,000'' and inserting ''the applicable dollar amount''.

(2) APPLICABLE DOLLAR AMOUNT.—Subparagraph (E) of 408(p)(2) is amended to read as follows:

''(E) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—For purposes of subparagraph (A)(ii), the applicable dollar amount shall be the amount determined in accordance with the following table:

"For taxable years beginning in calendar year:	The applicable dollar amount:
2002	$7,000
2003	$8,000
2004	$9,000
2005 or thereafter	$10,000.

''(ii) COST-OF-LIVING ADJUSTMENT.—In the case of a year beginning after December 31, 2005, the Secretary shall adjust the $10,000 amount under clause (i) at the same time and in the same manner as under section 415(d), except that the base period taken into account shall be the calendar quarter beginning July 1, 2004, and any increase under this subparagraph which is not a multiple of $500 shall be rounded to the next lower multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

(A) Subclause (I) of section 401(k)(11)(B)(i) is amended by striking ''$6,000'' and inserting ''the amount in effect under section 408(p)(2)(A)(ii)''.

(B) Section 401(k)(11) is amended by striking subparagraph (E).

(g) ROUNDING RULE RELATING TO DEFINED BENEFIT PLANS AND DEFINED CONTRIBUTION PLANS.—Paragraph (4) of section 415(d) is amended to read as follows:

''(4) ROUNDING.—

''(A) $160,000 AMOUNT.—Any increase under subparagraph (A) of paragraph (1) which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.

''(B) $40,000 AMOUNT.—Any increase under subparagraph (C) of paragraph (1) which is not a multiple of $1,000 shall be rounded to the next lowest multiple of $1,000.''.

(h) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 202. PLAN LOANS FOR SUBCHAPTER S OWNERS, PARTNERS, AND SOLE PROPRIETORS.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—Subparagraph (B) of section 4975(f)(6) (relating to exemptions not to apply to certain transactions) is amended by adding at the end the following new clause:

''(iii) LOAN EXCEPTION.—For purposes of subparagraph (A)(i), the term 'owner-employee' shall only include a person described in subclause (II) or (III) of clause (i).''.

(b) AMENDMENT OF ERISA.—Section 408(d)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1108(d)(2)) is amended by adding at the end the following new subparagraph:

''(C) For purposes of paragraph (1)(A), the term 'owner-employee' shall only include a person described in clause (ii) or (iii) of subparagraph (A).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 203. MODIFICATION OF TOP-HEAVY RULES.

(a) SIMPLIFICATION OF DEFINITION OF KEY EMPLOYEE.—

(1) IN GENERAL.—Section 416(i)(1)(A) (defining key employee) is amended—

(A) by striking ''or any of the 4 preceding plan years'' in the matter preceding clause (i);

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

''(i) an officer of the employer having an annual compensation greater than $150,000,'';

(C) by striking clause (ii) and redesignating clauses (iii) and (iv) as clauses (ii) and (iii), respectively; and

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

(2) CONFORMING AMENDMENT.—Section 416(i)(1)(B)(iii) is amended by striking ''and subparagraph (A)(ii)''.

(b) MATCHING CONTRIBUTIONS TAKEN INTO ACCOUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.—Section 416(c)(2)(A) (relating to defined contribution plans) is amended by adding at the end the following: ''Employer matching contributions (as defined in section 401(m)(4)(A)) shall be taken into account for purposes of this subparagraph.''.

(c) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

(1) IN GENERAL.—Paragraph (3) of section 416(g) is amended to read as follows:

''(3) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

''(A) IN GENERAL.—For purposes of determining—

''(i) the present value of the cumulative accrued benefit for any employee, or

''(ii) the amount of the account of any employee,

such present value or amount shall be increased by the aggregate distributions made with respect to such employee under the plan during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which if it had not been terminated would have been required to be included in an aggregation group.

''(B) 5-YEAR PERIOD IN CASE OF IN-SERVICE DISTRIBUTION.—In the case of any distribution made for a reason other than separation from service, death, or disability, subparagraph (A) shall be applied by substituting '5-year period' for '1-year period'.''.

(2) BENEFITS NOT TAKEN INTO ACCOUNT.—Subparagraph (E) of section 416(g)(4) is amended—

(A) by striking ''LAST 5 YEARS'' in the heading and inserting ''LAST YEAR BEFORE DETERMINATION DATE''; and

(B) by striking ''5-year period'' and inserting ''1-year period''.

(d) DEFINITION OF TOP-HEAVY PLANS.—Paragraph (4) of section 416(g) (relating to other special rules for top-heavy plans) is amended by adding at the end the following new subparagraph:

''(H) CASH OR DEFERRED ARRANGEMENTS USING ALTERNATIVE METHODS OF MEETING NONDISCRIMINATION REQUIREMENTS.—The term 'top-heavy plan' shall not include a plan which consists solely of—

''(i) a cash or deferred arrangement which meets the requirements of section 401(k)(12), and

''(ii) matching contributions with respect to which the requirements of section 401(m)(11) are met.

If, but for this subparagraph, a plan would be treated as a top-heavy plan because it is a member of an aggregation group which is a top-heavy group, contributions under the plan may be taken into account in determining whether any other plan in the group meets the requirements of subsection (c)(2).''.

(e) FROZEN PLAN EXEMPT FROM MINIMUM BENEFIT REQUIREMENT.—Subparagraph (C) of section 416(c)(1) (relating to defined benefit plans) is amended—

(A) by striking ''clause (ii)'' in clause (i) and inserting ''clause (ii) or (iii)''; and

(B) by adding at the end the following:

''(iii) EXCEPTION FOR FROZEN PLAN.—For purposes of determining an employee's years of service with the employer, any service with the employer shall be disregarded to the extent that such service occurs during a plan year when the plan benefits (within the meaning of section 410(b)) no key employee or former key employee.''.

(f) ELIMINATION OF FAMILY ATTRIBUTION.—Section 416(i)(1)(B) (defining 5-percent owner) is amended by adding at the end the following new clause:

''(iv) FAMILY ATTRIBUTION DISREGARDED.—Solely for purposes of applying this paragraph (and not for purposes of any provision of this title which incorporates by reference the definition of a key employee or 5-percent owner under this paragraph), section 318 shall be applied without regard to subsection (a)(1) thereof in determining whether any person is a 5-percent owner.''.

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 204. ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.

(a) IN GENERAL.—Section 404 (relating to deduction for contributions of an employer to an employees' trust or annuity plan and compensation under a deferred payment plan) is amended by adding at the end the following new subsection:

''(n) ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.—Elective deferrals (as defined in section 402(g)(3)) shall not be subject to any limitation contained in paragraph (3), (7), or (9) of subsection (a), and such elective deferrals shall not be taken into account in applying any such limitation to any other contributions.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 205. REPEAL OF COORDINATION REQUIREMENTS FOR DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.

(a) IN GENERAL.—Subsection (c) of section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations), as amended by section 201, is amended to read as follows:

''(c) LIMITATION.—The maximum amount of the compensation of any one individual which may be deferred under subsection (a) during any taxable year shall not exceed the amount in effect under subsection (b)(2)(A) (as modified by any adjustment provided under subsection (b)(3)).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to years beginning after December 31, 2001.

SEC. 206. ELIMINATION OF USER FEE FOR REQUESTS TO IRS REGARDING PENSION PLANS.

(a) ELIMINATION OF CERTAIN USER FEES.—The Secretary of the Treasury or the Secretary's delegate shall not require payment of user fees under the program established under section 10511 of the Revenue Act of 1987 for requests to the Internal Revenue Service for determination letters with respect to the qualified status of a pension benefit plan maintained solely by one or more eligible employers or any trust which is part of the plan. The preceding sentence shall not apply to any request—

(1) made after the later of—

(A) the fifth plan year the pension benefit plan is in existence; or

(B) the end of any remedial amendment period with respect to the plan beginning within the first 5 plan years; or

(2) made by the sponsor of any prototype or similar plan which the sponsor intends to market to participating employers.

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

(c) ELIGIBLE EMPLOYER.—For purposes of this section, the term ''eligible employer'' has the same meaning given such term in section 408(p)(2)(C)(i)(I) of the Internal Revenue Code of 1986. The determination of whether an employer is an eligible employer under this section shall be made as of the date of the request described in subsection (a).

(d) DETERMINATION OF AVERAGE FEES CHARGED.—For purposes of any determination of average fees charged, any request to which subsection (a) applies shall not be taken into account.

(e) EFFECTIVE DATE.—The provisions of this section shall apply with respect to requests made after December 31, 2001.

SEC. 207. DEDUCTION LIMITS.

(a) STOCK BONUS AND PROFIT SHARING TRUSTS.—

(1) IN GENERAL.—Subclause (I) of section 404(a)(3)(A)(i) (relating to stock bonus and profit sharing trusts) is amended by striking ''15 percent'' and inserting ''20 percent''.

(2) CONFORMING AMENDMENT.—Subparagraph (C) of section 404(h)(1) is amended by striking ''15 percent'' each place it appears and inserting ''20 percent''.

(b) COMPENSATION.—

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

''(12) DEFINITION OF COMPENSATION.—For purposes of paragraphs (3), (7), (8), and (9), the term 'compensation otherwise paid or accrued during the taxable year' shall include amounts treated as 'participant's compensation' under subparagraph (C) or (D) of section 415(c)(3).''.

(2) CONFORMING AMENDMENTS.—

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

(B) Clause (i) of section 4972(c)(6)(B) is amended by striking ''(within the meaning of section 404(a))'' and inserting ''(within the meaning of section 404(a) and as adjusted under section 404(a)(12))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 208. OPTION TO TREAT ELECTIVE DEFERRALS AS AFTER-TAX CONTRIBUTIONS.

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

"SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFERRALS AS PLUS CONTRIBUTIONS.

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

''(1) any designated plus contribution made by an employee pursuant to the program shall be treated as an elective deferral for purposes of this chapter, except that such contribution shall not be excludable from gross income, and

''(2) such plan (and any arrangement which is part of such plan) shall not be treated as failing to meet any requirement of this chapter solely by reason of including such program.

''(b) QUALIFIED PLUS CONTRIBUTION PROGRAM.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified plus contribution program' means a program under which an employee may elect to make designated plus contributions in lieu of all or a portion of elective deferrals the employee is otherwise eligible to make under the applicable retirement plan.

''(2) SEPARATE ACCOUNTING REQUIRED.—A program shall not be treated as a qualified plus contribution program unless the applicable retirement plan—

''(A) establishes separate accounts ('designated plus accounts') for the designated plus contributions of each employee and any earnings properly allocable to the contributions, and

''(B) maintains separate recordkeeping with respect to each account.

''(c) DEFINITIONS AND RULES RELATING TO DESIGNATED PLUS CONTRIBUTIONS.—For purposes of this section—

''(1) DESIGNATED PLUS CONTRIBUTION.—The term 'designated plus contribution' means any elective deferral which—

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

''(B) the employee designates (at such time and in such manner as the Secretary may prescribe) as not being so excludable.

''(2) DESIGNATION LIMITS.—The amount of elective deferrals which an employee may designate under paragraph (1) shall not exceed the excess (if any) of—

''(A) the maximum amount of elective deferrals excludable from gross income of the employee for the taxable year (without regard to this section), over

''(B) the aggregate amount of elective deferrals of the employee for the taxable year which the employee does not designate under paragraph (1).

''(3) ROLLOVER CONTRIBUTIONS.—

''(A) IN GENERAL.—A rollover contribution of any payment or distribution from a designated plus account which is otherwise allowable under this chapter may be made only if the contribution is to—

''(i) another designated plus account of the individual from whose account the payment or distribution was made, or

''(ii) a Roth IRA of such individual.

''(B) COORDINATION WITH LIMIT.—Any rollover contribution to a designated plus account under subparagraph (A) shall not be taken into account for purposes of paragraph (1).

''(d) DISTRIBUTION RULES.—For purposes of this title—

''(1) EXCLUSION.—Any qualified distribution from a designated plus account shall not be includible in gross income.

''(2) QUALIFIED DISTRIBUTION.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified distribution' has the meaning given such term by section 408A(d)(2)(A) (without regard to clause (iv) thereof).

''(B) DISTRIBUTIONS WITHIN NONEXCLUSION PERIOD.—A payment or distribution from a designated plus account shall not be treated as a qualified distribution if such payment or distribution is made within the 5-taxable-year period beginning with the earlier of—

''(i) the first taxable year for which the individual made a designated plus contribution to any designated plus account established for such individual under the same applicable retirement plan, or

''(ii) if a rollover contribution was made to such designated plus account from a designated plus account previously established for such individual under another applicable retirement plan, the first taxable year for which the individual made a designated plus contribution to such previously established account.

''(C) DISTRIBUTIONS OF EXCESS DEFERRALS AND CONTRIBUTIONS AND EARNINGS THEREON.—The term 'qualified distribution' shall not include any distribution of an excess deferral under section 402(g)(2) or any excess contribution under section 401(k)(8), and any income on the excess deferral or contribution.

''(3) TREATMENT OF DISTRIBUTIONS OF CERTAIN EXCESS DEFERRALS.—Notwithstanding section 72, if any excess deferral under section 402(g)(2) attributable to a designated plus contribution is not distributed on or before the 1st April 15 following the close of the taxable year in which such excess deferral is made, the amount of such excess deferral shall—

''(A) not be treated as investment in the contract, and

''(B) be included in gross income for the taxable year in which such excess is distributed.

''(4) AGGREGATION RULES.—Section 72 shall be applied separately with respect to distributions and payments from a designated plus account and other distributions and payments from the plan.

''(e) OTHER DEFINITIONS.—For purposes of this section—

''(1) APPLICABLE RETIREMENT PLAN.—The term 'applicable retirement plan' means—

''(A) an employees' trust described in section 401(a) which is exempt from tax under section 501(a), and

''(B) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b).

''(2) ELECTIVE DEFERRAL.—The term 'elective deferral' means any elective deferral described in subparagraph (A) or (C) of section 402(g)(3).''.

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

(1) by adding at the end of paragraph (1)(A) (as added by section 201(d)(1)) the following new sentence: ''The preceding sentence shall not apply to so much of such excess as does not exceed the designated plus contributions of the individual for the taxable year.''; and

(2) by inserting ''(or would be included but for the last sentence thereof)'' after ''paragraph (1)'' in paragraph (2)(A).

(c) ROLLOVERS.—Subparagraph (B) of section 402(c)(8) is amended by adding at the end the following:

''If any portion of an eligible rollover distribution is attributable to payments or distributions from a designated plus account (as defined in section 402A), an eligible retirement plan with respect to such portion shall include only another designated plus account and a Roth IRA.''.

(d) REPORTING REQUIREMENTS.—

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

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

''(f) DESIGNATED PLUS CONTRIBUTIONS.—The Secretary shall require the plan administrator of each applicable retirement plan (as defined in section 402A) to make such returns and reports regarding designated plus contributions (as so defined) to the Secretary, participants and beneficiaries of the plan, and such other persons as the Secretary may prescribe.''.

(e) CONFORMING AMENDMENTS.—

(1) Section 408A(e) is amended by adding after the first sentence the following new sentence: ''Such term includes a rollover contribution described in section 402A(c)(3)(A).''.

(2) The table of sections for subpart A of part I of subchapter D of chapter 1 is amended by inserting after the item relating to section 402 the following new item:

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

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 209. AVAILABILITY OF QUALIFIED PLANS TO SELF-EMPLOYED INDIVIDUALS WHO ARE EXEMPT FROM THE SELF-EMPLOYMENT TAX BY REASON OF THEIR RELIGIOUS BELIEFS.

(a) IN GENERAL.—Subparagraph (A) of section 401(c)(2) (defining earned income) is amended by adding at the end thereof the following new sentence: ''For purposes of this part only (other than sections 419 and 419A), this subparagraph shall be applied as if the term 'trade or business' for purposes of section 1402 included service described in section 1402(c)(6).''.

(b) SIMPLE RETIREMENT ACCOUNTS.—Clause (ii) of section 408(p)(6)(A) (defining self-employed) is amended by adding at the end the following new sentence: ''The preceding sentence shall be applied as if the term 'trade or business' for purposes of section 1402 included service described in section 1402(c)(6).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 210. CERTAIN NONRESIDENT ALIENS EXCLUDED IN APPLYING MINIMUM COVERAGE REQUIREMENTS.

(a) IN GENERAL.—Subparagraph (C) of section 410(b)(3) (relating to exclusion of certain employees) is amended by inserting '', determined without regard to the reference to subchapter D in the last sentence thereof'' after ''section 861(a)(3)''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to plan years beginning after December 31, 2001.

TITLE III—ENHANCING FAIRNESS FOR WOMEN

SEC. 301. CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.

(a) IN GENERAL.—Section 414 (relating to definitions and special rules) is amended by adding at the end the following new subsection:

''(v) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.—

''(1) IN GENERAL.—An applicable employer plan shall not be treated as failing to meet any requirement of this title solely because the plan permits an eligible participant to make additional elective deferrals in any plan year.

''(2) LIMITATION ON AMOUNT OF ADDITIONAL DEFERRALS.—A plan shall not permit additional elective deferrals under paragraph (1) for any year in an amount greater than the lesser of—

''(A) $5,000, or

''(B) the excess (if any) of—

''(i) the participant's compensation for the year, over

''(ii) any other elective deferrals of the participant for such year which are made without regard to this subsection.

''(3) TREATMENT OF CONTRIBUTIONS.—In the case of any contribution to a plan under paragraph (1), such contribution shall not, with respect to the year in which the contribution is made—

''(A) be subject to any otherwise applicable limitation contained in section 402(g), 402(h)(2), 404(a), 404(h), 408(p)(2)(A)(ii), 415, or 457, or

''(B) be taken into account in applying such limitations to other contributions or benefits under such plan or any other such plan.

''(4) APPLICATION OF NONDISCRIMINATION RULES.—

''(A) IN GENERAL.—An applicable employer plan shall not be treated as failing to meet the nondiscrimination requirements under section 401(a)(4) with respect to benefits, rights, and features if the plan allows all eligible participants to make the same election with respect to the additional elective deferrals under this subsection.

''(B) AGGREGATION.—For purposes of subparagraph (A), all plans maintained by employers who are treated as a single employer under subsection (b), (c), (m), or (o) of section 414 shall be treated as 1 plan.

''(5) ELIGIBLE PARTICIPANT.—For purposes of this subsection, the term 'eligible participant' means, with respect to any plan year, a participant in a plan—

''(A) who has attained the age of 50 before the close of the plan year, and

''(B) with respect to whom no other elective deferrals may (without regard to this subsection) be made to the plan for the plan year by reason of the application of any limitation or other restriction described in paragraph (3) or comparable limitation contained in the terms of the plan.

''(6) OTHER DEFINITIONS AND RULES.—For purposes of this subsection—

''(A) APPLICABLE EMPLOYER PLAN.—The term 'applicable employer plan' means—

''(i) an employees' trust described in section 401(a) which is exempt from tax under section 501(a),

''(ii) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b),

''(iii) an eligible deferred compensation plan under section 457 of an eligible employer as defined in section 457(e)(1)(A), and

''(iv) an arrangement meeting the requirements of section 408 (k) or (p).

''(B) ELECTIVE DEFERRAL.—The term 'elective deferral' has the meaning given such term by subsection (u)(2)(C).

''(C) EXCEPTION FOR SECTION 457 PLANS.—This subsection shall not apply to an applicable employer plan described in subparagraph (A)(iii) for any year to which section 457(b)(3) applies.

''(D) COST-OF-LIVING ADJUSTMENT.—In the case of a year beginning after December 31, 2006, the Secretary shall adjust annually the $5,000 amount in paragraph (2)(A) for increases in the cost-of-living at the same time and in the same manner as adjustments under section 415(d); except that the base period taken into account shall be the calendar quarter beginning July 1, 2005, and any increase under this subparagraph which is not a multiple of $500 shall be rounded to the next lower multiple of $500.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions in taxable years beginning after December 31, 2001.

SEC. 302. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF EMPLOYEES TO DEFINED CONTRIBUTION PLANS.

(a) EQUITABLE TREATMENT.—

(1) IN GENERAL.—Subparagraph (B) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking ''25 percent'' and inserting ''100 percent''.

(2) APPLICATION TO SECTION 403(b).—Section 403(b) is amended—

(A) by striking ''the exclusion allowance for such taxable year'' in paragraph (1) and inserting ''the applicable limit under section 415'';

(B) by striking paragraph (2); and

(C) by inserting ''or any amount received by a former employee after the fifth taxable year following the taxable year in which such employee was terminated'' before the period at the end of the second sentence of paragraph (3).

(3) CONFORMING AMENDMENTS.—

(A) Subsection (f) of section 72 is amended by striking ''section 403(b)(2)(D)(iii))'' and inserting ''section 403(b)(2)(D)(iii), as in effect before the enactment of the Comprehensive Retirement Security and Pension Reform Act of 2001)''.

(B) Section 404(a)(10)(B) is amended by striking '', the exclusion allowance under section 403(b)(2),''.

(C) Section 404(j) is amended by adding at the end the following new paragraph:

''(3) SPECIAL RULE FOR MONEY PURCHASE PLANS.—For purposes of paragraph (1)(B), in the case of a defined contribution plan which is subject to the funding standards of section 412, section 415(c)(1)(B) shall be applied by substituting '25 percent' for '100 percent'.''.

(D) Section 415(a)(2) is amended by striking '', and the amount of the contribution for such portion shall reduce the exclusion allowance as provided in section 403(b)(2)''.

(E) Section 415(c)(3) is amended by adding at the end the following new subparagraph:

''(E) ANNUITY CONTRACTS.—In the case of an annuity contract described in section 403(b), the term 'participant's compensation' means the participant's includible compensation determined under section 403(b)(3).''.

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

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

''(7) CERTAIN CONTRIBUTIONS BY CHURCH PLANS NOT TREATED AS EXCEEDING LIMIT.—

''(A) IN GENERAL.—Notwithstanding any other provision of this subsection, at the election of a participant who is an employee of a church or a convention or association of churches, including an organization described in section 414(e)(3)(B)(ii), contributions and other additions for an annuity contract or retirement income account described in section 403(b) with respect to such participant, when expressed as an annual addition to such participant's account, shall be treated as not exceeding the limitation of paragraph (1) if such annual addition is not in excess of $10,000.

''(B) $40,000 AGGREGATE LIMITATION.—The total amount of additions with respect to any participant which may be taken into account for purposes of this subparagraph for all years may not exceed $40,000.

''(C) ANNUAL ADDITION.—For purposes of this paragraph, the term 'annual addition' has the meaning given such term by paragraph (2).''.

(H) Subparagraph (B) of section 402(g)(7) (as redesignated by section 201) is amended by inserting before the period at the end the following: ''(as in effect before the enactment of the Comprehensive Retirement Security and Pension Reform Act of 2001)''.

(I) Section 664(g) is amended—

(i) in paragraph (3)(E) by striking ''limitations under section 415(c)'' and inserting ''applicable limitation under paragraph (7)'', and

(ii) by adding at the end the following new paragraph:

''(7) APPLICABLE LIMITATION.—

''(A) IN GENERAL.—For purposes of paragraph (3)(E), the applicable limitation under this paragraph with respect to a participant is an amount equal to the lesser of—

''(i) $30,000, or

''(ii) 25 percent of the participant's compensation (as defined in section 415(c)(3)).

''(B) COST-OF-LIVING ADJUSTMENT.—The Secretary shall adjust annually the $30,000 amount under subparagraph (A)(i) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning October 1, 1993, and any increase under this subparagraph which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.''.

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2001.

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

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

''(4) SPECIAL RULES FOR SECTIONS 403(B) AND 408.—For purposes of this section, any annuity contract described in section 403(b) for the benefit of a participant shall be treated as a defined contribution plan maintained by each employer with respect to which the participant has the control required under subsection (b) or (c) of section 414 (as modified by subsection (h)). For purposes of this section, any contribution by an employer to a simplified employee pension plan for an individual for a taxable year shall be treated as an employer contribution to a defined contribution plan for such individual for such year.''.

(2) EFFECTIVE DATE.—

(A) IN GENERAL.—The amendment made by paragraph (1) shall apply to limitation years beginning after December 31, 1999.

(B) EXCLUSION ALLOWANCE.—Effective for limitation years beginning in 2000, in the case of any annuity contract described in section 403(b) of the Internal Revenue Code of 1986, the amount of the contribution disqualified by reason of section 415(g) of such Code shall reduce the exclusion allowance as provided in section 403(b)(2) of such Code.

(3) MODIFICATION OF 403(b) EXCLUSION ALLOWANCE TO CONFORM TO 415 MODIFICATION.—The Secretary of the Treasury shall modify the regulations regarding the exclusion allowance under section 403(b)(2) of the Internal Revenue Code of 1986 to render void the requirement that contributions to a defined benefit pension plan be treated as previously excluded amounts for purposes of the exclusion allowance. For taxable years beginning after December 31, 1999, such regulations shall be applied as if such requirement were void.

(c) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Subparagraph (B) of section 457(b)(2) (relating to salary limitation on eligible deferred compensation plans) is amended by striking ''33⅓ percent'' and inserting ''100 percent''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to years beginning after December 31, 2001.

SEC. 303. FASTER VESTING OF CERTAIN EMPLOYER MATCHING CONTRIBUTIONS.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—Section 411(a) (relating to minimum vesting standards) is amended—

(1) in paragraph (2) in the matter preceding subparagraph (A), by striking ''A plan'' and inserting ''Except as provided in paragraph (12), a plan''; and

(2) by adding at the end the following:

''(12) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A)), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

''Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.''.

(b) AMENDMENT OF ERISA.—Section 203(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)) is amended—

(1) in paragraph (2), in the matter preceding subparagraph (A), by striking ''A plan'' and inserting ''Except as provided in paragraph (4), a plan'', and

(2) by adding at the end the following:

''(4) In the case of matching contributions (as defined in section 401(m)(4)(A) of the Internal Revenue Code of 1986), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

''Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to contributions for plan years beginning after December 31, 2001.

(2) COLLECTIVE BARGAINING AGREEMENTS.—In the case of a plan maintained pursuant to one or more collective bargaining agreements between employee representatives and one or more employers ratified by the date of the enactment of this Act, the amendments made by this section shall not apply to contributions on behalf of employees covered by any such agreement for plan years beginning before the earlier of—

(A) the later of—

(i) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof on or after such date of the enactment); or

(ii) January 1, 2002; or

(B) January 1, 2006.

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

SEC. 304. MODIFICATIONS TO MINIMUM DISTRIBUTION RULES.

(a) LIFE EXPECTANCY TABLES.—The Secretary of the Treasury shall modify the life expectancy tables under the regulations relating to minimum distribution requirements under sections 401(a)(9), 408(a)(6) and (b)(3), 403(b)(10), and 457(d)(2) of the Internal Revenue Code to reflect current life expectancy.

(b) REPEAL OF RULE WHERE DISTRIBUTIONS HAD BEGUN BEFORE DEATH OCCURS.—

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

(2) CONFORMING CHANGES.—

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

(i) by striking ''FOR OTHER CASES'' in the heading; and

(ii) by striking ''the distribution of the employee's interest has begun in accordance with subparagraph (A)(ii)'' and inserting ''his entire interest has been distributed to him''.

(B) Clause (ii) of section 401(a)(9)(B) (as so redesignated) is amended by striking ''clause (ii)'' and inserting ''clause (i)''.

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

(i) by striking ''clause (iii)(I)'' and inserting ''clause (ii)(I)'';

(ii) by striking ''clause (iii)(III)'' in subclause (I) and inserting ''clause (ii)(III)'';

(iii) by striking ''the date on which the employee would have attained age 70½,'' in subclause (I) and inserting ''April 1 of the calendar year following the calendar year in which the spouse attains 70½,''; and

(iv) by striking ''the distributions to such spouse begin,'' in subclause (II) and inserting ''his entire interest has been distributed to him,''.

(3) EFFECTIVE DATE.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by this subsection shall apply to years beginning after December 31, 2001.

(B) DISTRIBUTIONS TO SURVIVING SPOUSE.—

(i) IN GENERAL.—In the case of an employee described in clause (ii), distributions to the surviving spouse of the employee shall not be required to commence prior to the date on which such distributions would have been required to begin under section 401(a)(9)(B) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of this Act).

(ii) CERTAIN EMPLOYEES.—An employee is described in this clause if such employee dies before—

(I) the date of the enactment of this Act, and

(II) the required beginning date (within the meaning of section 401(a)(9)(C) of the Internal Revenue Code of 1986) of the employee.

(c) REDUCTION IN EXCISE TAX.—

(1) IN GENERAL.—Subsection (a) of section 4974 is amended by striking ''50 percent'' and inserting ''10 percent''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to years beginning after December 31, 2001.

SEC. 305. CLARIFICATION OF TAX TREATMENT OF DIVISION OF SECTION 457 PLAN BENEFITS UPON DIVORCE.

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

(1) by inserting ''or an eligible deferred compensation plan (within the meaning of section 457(b))'' after ''subsection (e))''; and

(2) in the heading, by striking ''GOVERNMENTAL AND CHURCH PLANS'' and inserting ''CERTAIN OTHER PLANS''.

(b) WAIVER OF CERTAIN DISTRIBUTION REQUIREMENTS.—Paragraph (10) of section 414(p) is amended by striking ''and section 409(d)'' and inserting ''section 409(d), and section 457(d)''.

(c) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—Subsection (p) of section 414 is amended by redesignating paragraph (12) as paragraph (13) and inserting after paragraph (11) the following new paragraph:

''(12) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—If a distribution or payment from an eligible deferred compensation plan described in section 457(b) is made pursuant to a qualified domestic relations order, rules similar to the rules of section 402(e)(1)(A) shall apply to such distribution or payment.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers, distributions, and payments made after December 31, 2001.

SEC. 306. PROVISIONS RELATING TO HARDSHIP DISTRIBUTIONS.

(a) SAFE HARBOR RELIEF.—

(1) IN GENERAL.—The Secretary of the Treasury shall revise the regulations relating to hardship distributions under section 401(k)(2)(B)(i)(IV) of the Internal Revenue Code of 1986 to provide that the period an employee is prohibited from making elective and employee contributions in order for a distribution to be deemed necessary to satisfy financial need shall be equal to 6 months.

(2) EFFECTIVE DATE.—The revised regulations under this subsection shall apply to years beginning after December 31, 2001.

(b) HARDSHIP DISTRIBUTIONS NOT TREATED AS ELIGIBLE ROLLOVER DISTRIBUTIONS.—

(1) MODIFICATION OF DEFINITION OF ELIGIBLE ROLLOVER.—Subparagraph (C) of section 402(c)(4) (relating to eligible rollover distribution) is amended to read as follows:

''(C) any distribution which is made upon hardship of the employee.''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to distributions made after December 31, 2001.

SEC. 307. WAIVER OF TAX ON NONDEDUCTIBLE CONTRIBUTIONS FOR DOMESTIC OR SIMILAR WORKERS.

(a) IN GENERAL.—Section 4972(c)(6) (relating to exceptions to nondeductible contributions), as amended by section 502, is amended by striking ''or'' at the end of subparagraph (A), by striking the period and inserting '', and'' at the end of subparagraph (B), and by inserting after subparagraph (B) the following new subparagraph:

''(C) so much of the contributions to a simple retirement account (within the meaning of section 408(p)) or a simple plan (within the meaning of section 401(k)(11)) which are not deductible when contributed solely because such contributions are not made in connection with a trade or business of the employer.''

(b) EXCLUSION OF CERTAIN CONTRIBUTIONS.—Section 4972(c)(6) is amended by adding at the end the following new sentence: ''Subparagraph (C) shall not apply to contributions made on behalf of the employer or a member of the employer's family (as defined in section 447(e)(1)).''.

(c) NO INFERENCE.—Nothing in the amendments made by this section shall be construed to infer the proper treatment of nondeductible contributions under the laws in effect before such amendments.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

TITLE IV—INCREASING PORTABILITY FOR PARTICIPANTS

SEC. 401. ROLLOVERS ALLOWED AMONG VARIOUS TYPES OF PLANS.

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

(1) ROLLOVERS FROM SECTION 457 PLANS.—

(A) IN GENERAL.—Section 457(e) (relating to other definitions and special rules) is amended by adding at the end the following:

''(16) ROLLOVER AMOUNTS.—

''(A) GENERAL RULE.—In the case of an eligible deferred compensation plan established and maintained by an employer described in subsection (e)(1)(A), if—

''(i) any portion of the balance to the credit of an employee in such plan is paid to such employee in an eligible rollover distribution (within the meaning of section 402(c)(4) without regard to subparagraph (C) thereof),

''(ii) the employee transfers any portion of the property such employee receives in such distribution to an eligible retirement plan described in section 402(c)(8)(B), and

''(iii) in the case of a distribution of property other than money, the amount so transferred consists of the property distributed,

then such distribution (to the extent so transferred) shall not be includible in gross income for the taxable year in which paid.

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) (other than paragraph (4)(C)) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A).

''(C) REPORTING.—Rollovers under this paragraph shall be reported to the Secretary in the same manner as rollovers from qualified retirement plans (as defined in section 4974(c)).''.

(B) DEFERRAL LIMIT DETERMINED WITHOUT REGARD TO ROLLOVER AMOUNTS.—Section 457(b)(2) (defining eligible deferred compensation plan) is amended by inserting ''(other than rollover amounts)'' after ''taxable year''.

(C) DIRECT ROLLOVER.—Paragraph (1) of section 457(d) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by inserting after subparagraph (B) the following:

''(C) in the case of a plan maintained by an employer described in subsection (e)(1)(A), the plan meets requirements similar to the requirements of section 401(a)(31).

Any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of transfer.''.

(D) WITHHOLDING.—

(i) Paragraph (12) of section 3401(a) is amended by adding at the end the following:

''(E) under or to an eligible deferred compensation plan which, at the time of such payment, is a plan described in section 457(b) maintained by an employer described in section 457(e)(1)(A); or''.

(ii) Paragraph (3) of section 3405(c) is amended to read as follows:

''(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For purposes of this subsection, the term 'eligible rollover distribution' has the meaning given such term by section 402(f)(2)(A).''.

(iii) LIABILITY FOR WITHHOLDING.—Subparagraph (B) of section 3405(d)(2) is amended by striking ''or'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', or'', and by adding at the end the following:

''(iv) section 457(b) and which is maintained by an eligible employer described in section 457(e)(1)(A).''.

(2) ROLLOVERS TO SECTION 457 PLANS.—

(A) IN GENERAL.—Section 402(c)(8)(B) (defining eligible retirement plan) is amended by striking ''and'' at the end of clause (iii), by striking the period at the end of clause (iv) and inserting '', and'', and by inserting after clause (iv) the following new clause:

''(v) an eligible deferred compensation plan described in section 457(b) which is maintained by an eligible employer described in section 457(e)(1)(A).''.

(B) SEPARATE ACCOUNTING.—Section 402(c) is amended by adding at the end the following new paragraph:

''(10) SEPARATE ACCOUNTING.—Unless a plan described in clause (v) of paragraph (8)(B) agrees to separately account for amounts rolled into such plan from eligible retirement plans not described in such clause, the plan described in such clause may not accept transfers or rollovers from such retirement plans.''.

(C) 10 PERCENT ADDITIONAL TAX.—Subsection (t) of section 72 (relating to 10-percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end the following new paragraph:

''(9) SPECIAL RULE FOR ROLLOVERS TO SECTION 457 PLANS.—For purposes of this subsection, a distribution from an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A) shall be treated as a distribution from a qualified retirement plan described in section 4974(c)(1) to the extent that such distribution is attributable to an amount transferred to an eligible deferred compensation plan from a qualified retirement plan (as defined in section 4974(c)).''.

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

(1) ROLLOVERS FROM SECTION 403(b) PLANS.—Section 403(b)(8)(A)(ii) (relating to rollover amounts) is amended by striking ''such distribution'' and all that follows and inserting ''such distribution to an eligible retirement plan described in section 402(c)(8)(B), and''.

(2) ROLLOVERS TO SECTION 403(b) PLANS.—Section 402(c)(8)(B) (defining eligible retirement plan), as amended by subsection (a), is amended by striking ''and'' at the end of clause (iv), by striking the period at the end of clause (v) and inserting '', and'', and by inserting after clause (v) the following new clause:

''(vi) an annuity contract described in section 403(b).''.

(c) EXPANDED EXPLANATION TO RECIPIENTS OF ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section 402(f) (relating to written explanation to recipients of distributions eligible for rollover treatment) is amended by striking ''and'' at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting '', and'', and by adding at the end the following new subparagraph:

''(E) of the provisions under which distributions from the eligible retirement plan receiving the distribution may be subject to restrictions and tax consequences which are different from those applicable to distributions from the plan making such distribution.''.

(d) SPOUSAL ROLLOVERS.—Section 402(c)(9) (relating to rollover where spouse receives distribution after death of employee) is amended by striking ''; except that'' and all that follows up to the end period.

(e) CONFORMING AMENDMENTS.—

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

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

(3) Section 401(a)(31)(B) is amended by striking ''and 403(a)(4)'' and inserting '', 403(a)(4), 403(b)(8), and 457(e)(16)''.

(4) Subparagraph (A) of section 402(f)(2) is amended by striking ''or paragraph (4) of section 403(a)'' and inserting '', paragraph (4) of section 403(a), subparagraph (A) of section 403(b)(8), or subparagraph (A) of section 457(e)(16)''.

(5) Paragraph (1) of section 402(f) is amended by striking ''from an eligible retirement plan''.

(6) Subparagraphs (A) and (B) of section 402(f)(1) are amended by striking ''another eligible retirement plan'' and inserting ''an eligible retirement plan''.

(7) Subparagraph (B) of section 403(b)(8) is amended to read as follows:

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A), except that section 402(f) shall be applied to the payor in lieu of the plan administrator.''.

(8) Section 408(a)(1) is amended by striking ''or 403(b)(8),'' and inserting ''403(b)(8), or 457(e)(16)''.

(9) Subparagraphs (A) and (B) of section 415(b)(2) are each amended by striking ''and 408(d)(3)'' and inserting ''403(b)(8), 408(d)(3), and 457(e)(16)''.

(10) Section 415(c)(2) is amended by striking ''and 408(d)(3)'' and inserting ''408(d)(3), and 457(e)(16)''.

(11) Section 4973(b)(1)(A) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.

(f) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

(2) REASONABLE NOTICE.—No penalty shall be imposed on a plan for the failure to provide the information required by the amendment made by subsection (c) with respect to any distribution made before the date that is 90 days after the date on which the Secretary of the Treasury issues a safe harbor rollover notice after the date of the enactment of this Act, if the administrator of such plan makes a reasonable attempt to comply with such requirement.

(3) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of any amendment made by this section.

SEC. 402. ROLLOVERS OF IRAS INTO WORKPLACE RETIREMENT PLANS.

(a) IN GENERAL.—Subparagraph (A) of section 408(d)(3) (relating to rollover amounts) is amended by adding ''or'' at the end of clause (i), by striking clauses (ii) and (iii), and by adding at the end the following:

''(ii) the entire amount received (including money and any other property) is paid into an eligible retirement plan for the benefit of such individual not later than the 60th day after the date on which the payment or distribution is received, except that the maximum amount which may be paid into such plan may not exceed the portion of the amount received which is includible in gross income (determined without regard to this paragraph).

For purposes of clause (ii), the term 'eligible retirement plan' means an eligible retirement plan described in clause (iii), (iv), (v), or (vi) of section 402(c)(8)(B).''.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 403(b) is amended by striking ''section 408(d)(3)(A)(iii)'' and inserting ''section 408(d)(3)(A)(ii)''.

(2) Clause (i) of section 408(d)(3)(D) is amended by striking ''(i), (ii), or (iii)'' and inserting ''(i) or (ii)''.

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

''(G) SIMPLE RETIREMENT ACCOUNTS.—In the case of any payment or distribution out of a simple retirement account (as defined in subsection (p)) to which section 72(t)(6) applies, this paragraph shall not apply unless such payment or distribution is paid into another simple retirement account.''.

(c) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

(2) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of

the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of the amendments made by this section.

SEC. 403. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.

(a) ROLLOVERS FROM EXEMPT TRUSTS.—Paragraph (2) of section 402(c) (relating to maximum amount which may be rolled over) is amended by adding at the end the following: ''The preceding sentence shall not apply to such distribution to the extent—

''(A) such portion is transferred in a direct trustee-to-trustee transfer to a qualified trust which is part of a plan which is a defined contribution plan and which agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(B) such portion is transferred to an eligible retirement plan described in clause (i) or (ii) of paragraph (8)(B).''.

(b) OPTIONAL DIRECT TRANSFER OF ELIGIBLE ROLLOVER DISTRIBUTIONS.—Subparagraph (B) of section 401(a)(31) (relating to limitation) is amended by adding at the end the following:

''The preceding sentence shall not apply to such distribution if the plan to which such distribution is transferred—

''(i) agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(ii) is an eligible retirement plan described in clause (i) or (ii) of section 402(c)(8)(B).''.

(c) RULES FOR APPLYING SECTION 72 TO IRAS.—Paragraph (3) of section 408(d) (relating to special rules for applying section 72) is amended by inserting at the end the following:

''(H) APPLICATION OF SECTION 72.—

''(i) IN GENERAL.—If—

''(I) a distribution is made from an individual retirement plan, and

''(II) a rollover contribution is made to an eligible retirement plan described in section 402(c)(8)(B)(iii), (iv), (v), or (vi) with respect to all or part of such distribution,

then, notwithstanding paragraph (2), the rules of clause (ii) shall apply for purposes of applying section 72.

''(ii) APPLICABLE RULES.—In the case of a distribution described in clause (i)—

''(I) section 72 shall be applied separately to such distribution,

''(II) notwithstanding the pro rata allocation of income on, and investment in, the contract to distributions under section 72, the portion of such distribution rolled over to an eligible retirement plan described in clause (i) shall be treated as from income on the contract (to the extent of the aggregate income on the contract from all individual retirement plans of the distributee), and

''(III) appropriate adjustments shall be made in applying section 72 to other distributions in such taxable year and subsequent taxable years.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 404. HARDSHIP EXCEPTION TO 60-DAY RULE.

(a) EXEMPT TRUSTS.—Paragraph (3) of section 402(c) (relating to transfer must be made within 60 days of receipt) is amended to read as follows:

''(3) TRANSFER MUST BE MADE WITHIN 60 DAYS OF RECEIPT.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), paragraph (1) shall not apply to any transfer of a distribution made after the 60th day following the day on which the distributee received the property distributed.

''(B) HARDSHIP EXCEPTION.—The Secretary may waive the 60-day requirement under subparagraph (A) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

(b) IRAS.—Paragraph (3) of section 408(d) (relating to rollover contributions), as amended by section 403, is amended by adding after subparagraph (H) the following new subparagraph:

''(I) WAIVER OF 60-DAY REQUIREMENT.—The Secretary may waive the 60-day requirement under subparagraphs (A) and (D) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 405. TREATMENT OF FORMS OF DISTRIBUTION.

(a) PLAN TRANSFERS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Paragraph (6) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended by adding at the end the following:

''(D) PLAN TRANSFERS.—

''(i) IN GENERAL.—A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the 'transferor plan') to the extent that—

''(I) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan,

''(II) the terms of both the transferor plan and the transferee plan authorize the transfer described in subclause (I),

''(III) the transfer described in subclause (I) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan,

''(IV) the election described in subclause (III) was made after the participant or beneficiary received a notice describing the consequences of making the election, and

''(V) the transferee plan allows the participant or beneficiary described in subclause (III) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(ii) EXCEPTION.—Clause (i) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(E) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regulations, a defined contribution plan shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This subparagraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

''(i) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated, and

''(ii) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.''.

(2) AMENDMENT OF ERISA.—Section 204(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)) is amended by adding at the end the following:

''(4)(A) A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the 'transferor plan') to the extent that—

''(i) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan;

''(ii) the terms of both the transferor plan and the transferee plan authorize the transfer described in clause (i);

''(iii) the transfer described in clause (i) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan;

''(iv) the election described in clause (iii) was made after the participant or beneficiary received a notice describing the consequences of making the election; and

''(v) the transferee plan allows the participant or beneficiary described in clause (iii) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(B) Subparagraph (A) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(5) Except to the extent provided in regulations promulgated by the Secretary of the Treasury, a defined contribution plan shall not be treated as failing to meet the requirements of this subsection merely because of the elimination of a form of distribution previously available thereunder. This paragraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

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

''(B) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2001.

(b) REGULATIONS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Paragraph (6)(B) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended by inserting after the second sentence the following new sentence: ''The Secretary shall by regulations provide that this subparagraph shall not apply to any plan amendment which reduces or eliminates benefits or subsidies which create significant burdens or complexities for the plan and plan participants and does not adversely affect the rights of any

participant in a more than de minimis manner.''.

(2) AMENDMENT OF ERISA.—Section 204(g)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)(2)) is amended by inserting before the last sentence the following new sentence: ''The Secretary of the Treasury shall by regulations provide that this paragraph shall not apply to any plan amendment which reduces or eliminates benefits or subsidies which create significant burdens or complexities for the plan and plan participants and does not adversely affect the rights of any participant in a more than de minimis manner.''.

(3) SECRETARY DIRECTED.—Not later than December 31, 2003, the Secretary of the Treasury is directed to issue regulations under section 411(d)(6) of the Internal Revenue Code of 1986 and section 204(g) of the Employee Retirement Income Security Act of 1974, including the regulations required by the amendment made by this subsection. Such regulations shall apply to plan years beginning after December 31, 2003, or such earlier date as is specified by the Secretary of the Treasury.

SEC. 406. RATIONALIZATION OF RESTRICTIONS ON DISTRIBUTIONS.

(a) MODIFICATION OF SAME DESK EXCEPTION.—

(1) SECTION 401(k).—

(A) Section 401(k)(2)(B)(i)(I) (relating to qualified cash or deferred arrangements) is amended by striking ''separation from service'' and inserting ''severance from employment''.

(B) Subparagraph (A) of section 401(k)(10) (relating to distributions upon termination of plan or disposition of assets or subsidiary) is amended to read as follows:

''(A) IN GENERAL.—An event described in this subparagraph is the termination of the plan without establishment or maintenance of another defined contribution plan (other than an employee stock ownership plan as defined in section 4975(e)(7)).''.

(C) Section 401(k)(10) is amended—

(i) in subparagraph (B)—

(I) by striking ''An event'' in clause (i) and inserting ''A termination''; and

(II) by striking ''the event'' in clause (i) and inserting ''the termination'';

(ii) by striking subparagraph (C); and

(iii) by striking ''OR DISPOSITION OF ASSETS OR SUBSIDIARY'' in the heading.

(2) SECTION 403(b).—

(A) Paragraphs (7)(A)(ii) and (11)(A) of section 403(b) are each amended by striking ''separates from service'' and inserting ''has a severance from employment''.

(B) The heading for paragraph (11) of section 403(b) is amended by striking ''SEPARATION FROM SERVICE'' and inserting ''SEVERANCE FROM EMPLOYMENT''.

(3) SECTION 457.—Clause (ii) of section 457(d)(1)(A) is amended by striking ''is separated from service'' and inserting ''has a severance from employment''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 407. PURCHASE OF SERVICE CREDIT IN GOVERNMENTAL DEFINED BENEFIT PLANS.

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

''(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

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

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

(b) 457 PLANS.—Subsection (e) of section 457 is amended by adding after paragraph (16) the following new paragraph:

''(17) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

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

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to trustee-to-trustee transfers after December 31, 2001.

SEC. 408. EMPLOYERS MAY DISREGARD ROLLOVERS FOR PURPOSES OF CASH-OUT AMOUNTS.

(a) QUALIFIED PLANS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Section 411(a)(11) (relating to restrictions on certain mandatory distributions) is amended by adding at the end the following:

''(D) SPECIAL RULE FOR ROLLOVER CONTRIBUTIONS.—A plan shall not fail to meet the requirements of this paragraph if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16).''.

(2) AMENDMENT OF ERISA.—Section 203(e) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended by adding at the end the following:

''(4) A plan shall not fail to meet the requirements of this subsection if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Internal Revenue Code of 1986.''.

(b) ELIGIBLE DEFERRED COMPENSATION PLANS.—Clause (i) of section 457(e)(9)(A) is amended by striking ''such amount'' and inserting ''the portion of such amount which is not attributable to rollover contributions (as defined in section 411(a)(11)(D))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 409. MINIMUM DISTRIBUTION AND INCLUSION REQUIREMENTS FOR SECTION 457 PLANS.

(a) MINIMUM DISTRIBUTION REQUIREMENTS.—Paragraph (2) of section 457(d) (relating to distribution requirements) is amended to read as follows:

''(2) MINIMUM DISTRIBUTION REQUIREMENTS.—A plan meets the minimum distribution requirements of this paragraph if such plan meets the requirements of section 401(a)(9).''.

(b) INCLUSION IN GROSS INCOME.—

(1) YEAR OF INCLUSION.—Subsection (a) of section 457 (relating to year of inclusion in gross income) is amended to read as follows:

''(a) YEAR OF INCLUSION IN GROSS INCOME.—

''(1) IN GENERAL.—Any amount of compensation deferred under an eligible deferred compensation plan, and any income attributable to the amounts so deferred, shall be includible in gross income only for the taxable year in which such compensation or other income—

''(A) is paid to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(A), and

''(B) is paid or otherwise made available to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(B).

''(2) SPECIAL RULE FOR ROLLOVER AMOUNTS.—To the extent provided in section 72(t)(9), section 72(t) shall apply to any amount includible in gross income under this subsection.''.

(2) CONFORMING AMENDMENTS.—

(A) So much of paragraph (9) of section 457(e) as precedes subparagraph (A) is amended to read as follows:

''(9) BENEFITS OF TAX EXEMPT ORGANIZATION PLANS NOT TREATED AS MADE AVAILABLE BY REASON OF CERTAIN ELECTIONS, ETC.—In the case of an eligible deferred compensation plan of an employer described in subsection (e)(1)(B)—''.

(B) Section 457(d) is amended by adding at the end the following new paragraph:

''(3) SPECIAL RULE FOR GOVERNMENT PLAN.—An eligible deferred compensation plan of an employer described in subsection (e)(1)(A) shall not be treated as failing to meet the requirements of this subsection solely by reason of making a distribution described in subsection (e)(9)(A).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

TITLE V—STRENGTHENING PENSION SECURITY AND ENFORCEMENT

SEC. 501. REPEAL OF PERCENT OF CURRENT LIABILITY FUNDING LIMIT.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—Section 412(c)(7) (relating to full-funding limitation) is amended—

(1) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2004, the applicable percentage''; and

(2) by amending subparagraph (F) to read as follows:

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

''In the case of any plan year beginning in—	**The applicable percentage is—**
2002	165
2003	170.''.

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

(1) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2004, the applicable percentage''; and

(2) by amending subparagraph (F) to read as follows:

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

''In the case of any plan year beginning in—	**The applicable percentage is—**
2002	165
2003	170.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 502. MAXIMUM CONTRIBUTION DEDUCTION RULES MODIFIED AND APPLIED TO ALL DEFINED BENEFIT PLANS.

(a) IN GENERAL.—Subparagraph (D) of section 404(a)(1) (relating to special rule in case of certain plans) is amended to read as follows:

''(D) SPECIAL RULE IN CASE OF CERTAIN PLANS.—

''(i) IN GENERAL.—In the case of any defined benefit plan, except as provided in regulations, the maximum amount deductible under the limitations of this paragraph shall not be less than the unfunded termination liability (determined as if the proposed termination date referred to in section 4041(b)(2)(A)(i)(II) of the Employee Retirement Income Security Act of 1974 were the last day of the plan year).

''(ii) PLANS WITH LESS THAN 100 PARTICIPANTS.—For purposes of this subparagraph, in the case of a plan which has less than 100 participants for the plan year, termination liability shall not include the liability attributable to benefit increases for highly compensated employees (as defined in section 414(q)) resulting from a plan amendment which is made or becomes effective, whichever is later, within the last 2 years before the termination date.

''(iii) RULE FOR DETERMINING NUMBER OF PARTICIPANTS.—For purposes of determining whether a plan has more than 100 participants, all defined benefit plans maintained by the same employer (or any member of such employer's controlled group (within the meaning of section 412(l)(8)(C))) shall be treated as one plan, but only employees of such member or employer shall be taken into account.

''(iv) PLANS MAINTAINED BY PROFESSIONAL SERVICE EMPLOYERS.—Clause (i) shall not apply to a plan described in section 4021(b)(13) of the Employee Retirement Income Security Act of 1974.''.

(b) CONFORMING AMENDMENT.—Paragraph (6) of section 4972(c), as amended by section 207, is amended to read as follows:

''(6) EXCEPTIONS.—In determining the amount of nondeductible contributions for any taxable year, there shall not be taken into account so much of the contributions to one or more defined contribution plans which are not deductible when contributed solely because of section 404(a)(7) as does not exceed the greater of—

''(A) the amount of contributions not in excess of 6 percent of compensation (within the meaning of section 404(a)) paid or accrued (during the taxable year for which the contributions were made) to beneficiaries under the plans, or

''(B) the sum of—

''(i) the amount of contributions described in section 401(m)(4)(A), plus

''(ii) the amount of contributions described in section 402(g)(3)(A).

For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to a defined benefit plan and then to amounts described in subparagraph (B).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 503. EXCISE TAX RELIEF FOR SOUND PENSION FUNDING.

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

''(7) DEFINED BENEFIT PLAN EXCEPTION.—In determining the amount of nondeductible contributions for any taxable year, an employer may elect for such year not to take into account any contributions to a defined benefit plan except to the extent that such contributions exceed the full-funding limitation (as defined in section 412(c)(7), determined without regard to subparagraph (A)(i)(I) thereof). For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to defined contribution plans and then to amounts described in this paragraph. If an employer makes an election under this paragraph for a taxable year, paragraph (6) shall not apply to such employer for such taxable year.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 504. EXCISE TAX ON FAILURE TO PROVIDE NOTICE BY DEFINED BENEFIT PLANS SIGNIFICANTLY REDUCING FUTURE BENEFIT ACCRUALS.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—

(1) IN GENERAL.—Chapter 43 (relating to qualified pension, etc., plans) is amended by adding at the end the following new section:

''SEC. 4980F. FAILURE OF APPLICABLE PLANS REDUCING BENEFIT ACCRUALS TO SATISFY NOTICE REQUIREMENTS.

''(a) IMPOSITION OF TAX.—There is hereby imposed a tax on the failure of any applicable pension plan to meet the requirements of subsection (e) with respect to any applicable individual.

''(b) AMOUNT OF TAX.—

''(1) IN GENERAL.—The amount of the tax imposed by subsection (a) on any failure with respect to any applicable individual shall be $100 for each day in the noncompliance period with respect to such failure.

''(2) NONCOMPLIANCE PERIOD.—For purposes of this section, the term 'noncompliance period' means, with respect to any failure, the period beginning on the date the failure first occurs and ending on the date the notice to which the failure relates is provided or the failure is otherwise corrected.

''(c) LIMITATIONS ON AMOUNT OF TAX.—

''(1) TAX NOT TO APPLY WHERE FAILURE NOT DISCOVERED AND REASONABLE DILIGENCE EXERCISED.—No tax shall be imposed by subsection (a) on any failure during any period for which it is established to the satisfaction of the Secretary that any person subject to liability for the tax under subsection (d) did not know that the failure existed and exercised reasonable diligence to meet the requirements of subsection (e).

''(2) TAX NOT TO APPLY TO FAILURES CORRECTED WITHIN 30 DAYS.—No tax shall be imposed by subsection (a) on any failure if—

''(A) any person subject to liability for the tax under subsection (d) exercised reasonable diligence to meet the requirements of subsection (e), and

''(B) such person provides the notice described in subsection (e) during the 30-day period beginning on the first date such person knew, or exercising reasonable diligence would have known, that such failure existed.

''(3) OVERALL LIMITATION FOR UNINTENTIONAL FAILURES.—

''(A) IN GENERAL.—If the person subject to liability for tax under subsection (d) exercised reasonable diligence to meet the requirements of subsection (e), the tax imposed by subsection (a) for failures during the taxable year of the employer (or, in the case of a multiemployer plan, the taxable year of the trust forming part of the plan) shall not exceed $500,000. For purposes of the preceding sentence, all multiemployer plans of which the same trust forms a part shall be treated as 1 plan.

''(B) TAXABLE YEARS IN THE CASE OF CERTAIN CONTROLLED GROUPS.—For purposes of this paragraph, if all persons who are treated as a single employer for purposes of this section do not have the same taxable year, the taxable years taken into account shall be determined under principles similar to the principles of section 1561.

''(4) WAIVER BY SECRETARY.—In the case of a failure which is due to reasonable cause and not to willful neglect, the Secretary may waive part or all of the tax imposed by subsection (a) to the extent that the payment of such tax would be excessive or otherwise inequitable relative to the failure involved.

''(d) LIABILITY FOR TAX.—The following shall be liable for the tax imposed by subsection (a):

''(1) In the case of a plan other than a multiemployer plan, the employer.

''(2) In the case of a multiemployer plan, the plan.

''(e) NOTICE REQUIREMENTS FOR PLANS SIGNIFICANTLY REDUCING BENEFIT ACCRUALS.—

''(1) IN GENERAL.—If an applicable pension plan is amended to provide for a significant reduction in the rate of future benefit accrual, the plan administrator shall provide written notice to each applicable individual (and to each employee organization representing applicable individuals).

''(2) NOTICE.—The notice required by paragraph (1) shall be written in a manner calculated to be understood by the average plan participant and shall provide sufficient information (as determined in accordance with regulations prescribed by the Secretary) to allow applicable individuals to understand the effect of the plan amendment. The Secretary may provide a simplified form of notice for, or exempt from any notice requirement, a plan—

''(A) which has fewer than 100 participants who have accrued a benefit under the plan, or

''(B) which offers participants the option to choose between the new benefit formula and the old benefit formula.

''(3) TIMING OF NOTICE.—Except as provided in regulations, the notice required by paragraph (1) shall be provided within a reasonable time before the effective date of the plan amendment.

''(4) DESIGNEES.—Any notice under paragraph (1) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.

''(5) NOTICE BEFORE ADOPTION OF AMENDMENT.—A plan shall not be treated as failing to meet the requirements of paragraph (1) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

''(f) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) APPLICABLE INDIVIDUAL.—The term 'applicable individual' means, with respect to any plan amendment—

''(A) each participant in the plan, and

''(B) any beneficiary who is an alternate payee (within the meaning of section 414(p)(8)) under an applicable qualified domestic relations order (within the meaning of section 414(p)(1)(A)),

whose rate of future benefit accrual under the plan may reasonably be expected to be significantly reduced by such plan amendment.

''(2) APPLICABLE PENSION PLAN.—The term 'applicable pension plan' means—

''(A) any defined benefit plan, or

''(B) an individual account plan which is subject to the funding standards of section 412.

Such term shall not include a governmental plan (within the meaning of section 414(d)) or a church plan (within the meaning of section 414(e)) with respect to which the election provided by section 410(d) has not been made.

''(3) EARLY RETIREMENT.—A plan amendment which eliminates or significantly reduces any early retirement benefit or retirement-type subsidy (within the meaning of section 411(d)(6)(B)(i)) shall be treated as having the effect of significantly reducing the rate of future benefit accrual.

''(g) NEW TECHNOLOGIES.—The Secretary may by regulations allow any notice under subsection (e) to be provided by using new technologies.''.

(2) CLERICAL AMENDMENT.—The table of sections for chapter 43 is amended by adding at the end the following new item:

''Sec. 4980F. Failure of applicable plans reducing benefit accruals to satisfy notice requirements.''.

(b) AMENDMENT OF ERISA.—Section 204(h) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(h)) is amended by adding at the end the following new paragraphs:

''(3)(A) An applicable pension plan to which paragraph (1) applies shall not be treated as meeting the requirements of such paragraph unless, in addition to any notice required to be provided to an individual or organization under such paragraph, the plan administrator provides the notice described in subparagraph (B) to each applicable individual (and to each employee organization representing applicable individuals).

''(B) The notice required by subparagraph (A) shall be written in a manner calculated to be understood by the average plan participant and shall provide sufficient information (as determined in accordance with regulations prescribed by the Secretary of the Treasury) to allow applicable individuals to understand the effect of the plan amendment. The Secretary of the Treasury may provide a simplified form of notice for, or exempt from any notice requirement, a plan—

''(i) which has fewer than 100 participants who have accrued a benefit under the plan, or

''(ii) which offers participants the option to choose between the new benefit formula and the old benefit formula.

''(C) Except as provided in regulations prescribed by the Secretary of the Treasury, the notice required by subparagraph (A) shall be provided within a reasonable time before the effective date of the plan amendment.

''(D) Any notice under subparagraph (A) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.

''(E) A plan shall not be treated as failing to meet the requirements of subparagraph (A) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

''(F) The Secretary of the Treasury may by regulations allow any notice under this paragraph to be provided by using new technologies.

''(4) For purposes of paragraph (3)—

''(A) The term 'applicable individual' means, with respect to any plan amendment—

''(i) each participant in the plan; and

''(ii) any beneficiary who is an alternate payee (within the meaning of section 206(d)(3)(K)) under an applicable qualified domestic relations order (within the meaning of section 206(d)(3)(B)(i)),

whose rate of future benefit accrual under the plan may reasonably be expected to be significantly reduced by such plan amendment.

''(B) The term 'applicable pension plan' means—

''(i) any defined benefit plan; or

''(ii) an individual account plan which is subject to the funding standards of section 412 of the Internal Revenue Code of 1986.

''(C) A plan amendment which eliminates or significantly reduces any early retirement benefit or retirement-type subsidy (within the meaning of subsection (g)(2)(A)) shall be treated as having the effect of significantly reducing the rate of future benefit accrual.''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan amendments taking effect on or after the date of the enactment of this Act.

(2) TRANSITION.—Until such time as the Secretary of the Treasury issues regulations under sections 4980F(e)(2) and (3) of the Internal Revenue Code of 1986, and section 204(h)(3) of the Employee Retirement Income Security Act of 1974, as added by the amendments made by this section, a plan shall be treated as meeting the requirements of such sections if it makes a good faith effort to comply with such requirements.

(3) SPECIAL NOTICE RULE.—

(A) IN GENERAL.—The period for providing any notice required by the amendments made by this section shall not end before the date which is 3 months after the date of the enactment of this Act.

(B) REASONABLE NOTICE.—The amendments made by this section shall not apply to any plan amendment taking effect on or after the date of the enactment of this Act if, before April 25, 2001, notice was provided to participants and beneficiaries adversely affected by the plan amendment (or their representatives) which was reasonably expected to notify them of the nature and effective date of the plan amendment.

(d) STUDY.—The Secretary of the Treasury shall prepare a report on the effects of conversions of traditional defined benefit plans to cash balance or hybrid formula plans. Such study shall examine the effect of such conversions on longer service participants, including the incidence and effects of ''wear away'' provisions under which participants earn no additional benefits for a period of time after the conversion. As soon as practicable, but not later than 60 days after the date of the enactment of this Act, the Secretary shall submit such report, together with recommendations thereon, to the Committee on Ways and Means and the Committee on Education and the Workforce of the House of Representatives and the Committee on Finance and the Committee on Health, Education, Labor, and Pensions of the Senate.

SEC. 505. TREATMENT OF MULTIEMPLOYER PLANS UNDER SECTION 415.

(a) COMPENSATION LIMIT.—

(1) IN GENERAL.—Paragraph (11) of section 415(b) (relating to limitation for defined benefit plans) is amended to read as follows:

''(11) SPECIAL LIMITATION RULE FOR GOVERNMENTAL AND MULTIEMPLOYER PLANS.—In the case of a governmental plan (as defined in section 414(d)) or a multiemployer plan (as defined in section 414(f)), subparagraph (B) of paragraph (1) shall not apply.''.

(2) CONFORMING AMENDMENT.—Section 415(b)(7) (relating to benefits under certain collectively bargained plans) is amended by inserting ''(other than a multiemployer plan)'' after ''defined benefit plan'' in the matter preceding subparagraph (A).

(b) COMBINING AND AGGREGATION OF PLANS.—

(1) COMBINING OF PLANS.—Subsection (f) of section 415 (relating to combining of plans) is amended by adding at the end the following:

''(3) EXCEPTION FOR MULTIEMPLOYER PLANS.—Notwithstanding paragraph (1) and subsection (g), a multiemployer plan (as defined in section 414(f)) shall not be combined or aggregated—

''(A) with any other plan which is not a multiemployer plan for purposes of applying subsection (b)(1)(B) to such other plan, or

''(B) with any other multiemployer plan for purposes of applying the limitations established in this section.''.

(2) CONFORMING AMENDMENT FOR AGGREGATION OF PLANS.—Subsection (g) of section 415 (relating to aggregation of plans) is amended by striking ''The Secretary'' and inserting ''Except as provided in subsection (f)(3), the Secretary''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 506. PROTECTION OF INVESTMENT OF EMPLOYEE CONTRIBUTIONS TO 401(K) PLANS.

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

''(b) EFFECTIVE DATE.—

''(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to elective deferrals for plan years beginning after December 31, 1998.

''(2) NONAPPLICATION TO PREVIOUSLY ACQUIRED PROPERTY.—The amendments made by this section shall not apply to any elective deferral which is invested in assets consisting of qualifying employer securities, qualifying employer real property, or both, if such assets were acquired before January 1, 1999.''.

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

SEC. 507. PERIODIC PENSION BENEFITS STATEMENTS.

(a) IN GENERAL.—Section 105(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025 (a)) is amended to read as follows:

''SEC. 105. (a)(1)(A) The administrator of an individual account plan shall furnish a pension benefit statement—

''(i) to a plan participant at least once annually, and

''(ii) to a plan beneficiary upon written request.

''(B) The administrator of a defined benefit plan shall furnish a pension benefit statement—

''(i) at least once every 3 years to each participant with a nonforfeitable accrued benefit who is employed by the employer maintaining the plan at the time the statement is furnished to participants, and

''(ii) to a plan participant or plan beneficiary of the plan upon written request.

''(2) A pension benefit statement under paragraph (1)—

''(A) shall indicate, on the basis of the latest available information—

''(i) the total benefits accrued, and

''(ii) the nonforfeitable pension benefits, if any, which have accrued, or the earliest date on which benefits will become nonforfeitable,

''(B) shall be written in a manner calculated to be understood by the average plan participant, and

''(C) may be provided in written, electronic, or other appropriate form.

''(3)(A) In the case of a defined benefit plan, the requirements of paragraph (1)(B)(i) shall be treated as met with respect to a participant if the administrator provides the participant at least once each year with notice of the availability of the pension benefit statement and the ways in which the participant may obtain such statement. Such notice shall be provided in written, electronic, or other appropriate form, and may be included with other communications to the participant if done in a manner reasonably designed to attract the attention of the participant.

''(B) The Secretary may provide that years in which no employee or former employee benefits (within the meaning of section 410(b) of the Internal Revenue Code of 1986) under the plan need not be taken into account in determining the 3-year period under paragraph (1)(B)(i).''.

(b) CONFORMING AMENDMENTS.—

(1) Section 105 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025) is amended by striking subsection (d).

(2) Section 105(b) of such Act (29 U.S.C. 1025(b)) is amended to read as follows:

''(b) In no case shall a participant or beneficiary of a plan be entitled to more than one statement described in subsection (a)(1)(A) or (a)(1)(B)(ii), whichever is applicable, in any 12-month period.''.

(c) MODEL STATEMENTS.—The Secretary of Labor shall develop a model benefit statement, written in a manner calculated to be understood by the average plan participant, that may be used by plan administrators in complying with the requirements of section 105 of the Employee Retirement Income Security Act of 1974.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2002.

SEC. 508. PROHIBITED ALLOCATIONS OF STOCK IN S CORPORATION ESOP.

(a) IN GENERAL.—Section 409 (relating to qualifications for tax credit employee stock ownership plans) is amended by redesignating subsection (p) as subsection (q) and by inserting after subsection (o) the following new subsection:

''(p) PROHIBITED ALLOCATIONS OF SECURITIES IN AN S CORPORATION.—

''(1) IN GENERAL.—An employee stock ownership plan holding employer securities consisting of stock in an S corporation shall provide that no portion of the assets of the plan attributable to (or allocable in lieu of) such employer securities may, during a nonallocation year, accrue (or be allocated directly or indirectly under any plan of the employer meeting the requirements of section 401(a)) for the benefit of any disqualified person.

''(2) FAILURE TO MEET REQUIREMENTS.—

''(A) IN GENERAL.—If a plan fails to meet the requirements of paragraph (1), the plan shall be treated as having distributed to any disqualified person the amount allocated to the account of such person in violation of paragraph (1) at the time of such allocation.

''(B) CROSS REFERENCE.—

''For excise tax relating to violations of paragraph (1) and ownership of synthetic equity, see section 4979A.

''(3) NONALLOCATION YEAR.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'nonallocation year' means any plan year of an employee stock ownership plan if, at any time during such plan year—

''(i) such plan holds employer securities consisting of stock in an S corporation, and

''(ii) disqualified persons own at least 50 percent of the number of shares of stock in the S corporation.

''(B) ATTRIBUTION RULES.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The rules of section 318(a) shall apply for purposes of determining ownership, except that—

''(I) in applying paragraph (1) thereof, the members of an individual's family shall include members of the family described in paragraph (4)(D), and

''(II) paragraph (4) thereof shall not apply.

''(ii) DEEMED-OWNED SHARES.—Notwithstanding the employee trust exception in section 318(a)(2)(B)(i), individual shall be treated as owning deemed-owned shares of the individual.

Solely for purposes of applying paragraph (5), this subparagraph shall be applied after the attribution rules of paragraph (5) have been applied.

''(4) DISQUALIFIED PERSON.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'disqualified person' means any person if—

''(i) the aggregate number of deemed-owned shares of such person and the members of such person's family is at least 20 percent of the number of deemed-owned shares of stock in the S corporation, or

''(ii) in the case of a person not described in clause (i), the number of deemed-owned shares of such person is at least 10 percent of the number of deemed-owned shares of stock in such corporation.

''(B) TREATMENT OF FAMILY MEMBERS.—In the case of a disqualified person described in subparagraph (A)(i), any member of such person's family with deemed-owned shares shall be treated as a disqualified person if not otherwise treated as a disqualified person under subparagraph (A).

''(C) DEEMED-OWNED SHARES.—

''(i) IN GENERAL.—The term 'deemed-owned shares' means, with respect to any person—

''(I) the stock in the S corporation constituting employer securities of an employee stock ownership plan which is allocated to such person under the plan, and

''(II) such person's share of the stock in such corporation which is held by such plan but which is not allocated under the plan to participants.

''(ii) PERSON'S SHARE OF UNALLOCATED STOCK.—For purposes of clause (i)(II), a person's share of unallocated S corporation stock held by such plan is the amount of the unallocated stock which would be allocated to such person if the unallocated stock were allocated to all participants in the same proportions as the most recent stock allocation under the plan.

''(D) MEMBER OF FAMILY.—For purposes of this paragraph, the term 'member of the family' means, with respect to any individual—

''(i) the spouse of the individual,

''(ii) an ancestor or lineal descendant of the individual or the individual's spouse,

''(iii) a brother or sister of the individual or the individual's spouse and any lineal descendant of the brother or sister, and

''(iv) the spouse of any individual described in clause (ii) or (iii).

A spouse of an individual who is legally separated from such individual under a decree of divorce or separate maintenance shall not be treated as such individual's spouse for purposes of this subparagraph.

''(5) TREATMENT OF SYNTHETIC EQUITY.—For purposes of paragraphs (3) and (4), in the case of a person who owns synthetic equity in the S corporation, except to the extent provided in regulations, the shares of stock in such corporation on which such synthetic equity is based shall be treated as outstanding stock in such corporation and deemed-owned shares of such person if such treatment of synthetic equity of 1 or more such persons results in—

''(A) the treatment of any person as a disqualified person, or

''(B) the treatment of any year as a nonallocation year.

For purposes of this paragraph, synthetic equity shall be treated as owned by a person in the same manner as stock is treated as owned by a person under the rules of paragraphs (2) and (3) of section 318(a). If, without regard to this paragraph, a person is treated as a disqualified person or a year is treated as a nonallocation year, this paragraph shall not be construed to result in the person or year not being so treated.

''(6) DEFINITIONS.—For purposes of this subsection—

''(A) EMPLOYEE STOCK OWNERSHIP PLAN.—The term 'employee stock ownership plan' has the meaning given such term by section 4975(e)(7).

''(B) EMPLOYER SECURITIES.—The term 'employer security' has the meaning given such term by section 409(l).

''(C) SYNTHETIC EQUITY.—The term 'synthetic equity' means any stock option, warrant, restricted stock, deferred issuance stock right, or similar interest or right that gives the holder the right to acquire or receive stock of the S corporation in the future. Except to the extent provided in regulations, synthetic equity also includes a stock appreciation right, phantom stock unit, or similar right to a future cash payment based on the value of such stock or appreciation in such value.

''(7) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection.''.

(b) COORDINATION WITH SECTION 4975(e)(7).—The last sentence of section 4975(e)(7) (defining employee stock ownership plan) is amended by inserting '', section 409(p),'' after ''409(n)''.

(c) EXCISE TAX.—

(1) APPLICATION OF TAX.—Subsection (a) of section 4979A (relating to tax on certain prohibited allocations of employer securities) is amended—

(A) by striking ''or'' at the end of paragraph (1), and

(B) by striking all that follows paragraph (2) and inserting the following:

''(3) there is any allocation of employer securities which violates the provisions of section 409(p), or a nonallocation year described in subsection (e)(2)(C) with respect to an employee stock ownership plan, or

''(4) any synthetic equity is owned by a disqualified person in any nonallocation year,

there is hereby imposed a tax on such allocation or ownership equal to 50 percent of the amount involved.''.

(2) LIABILITY.—Section 4979A(c) (defining liability for tax) is amended to read as follows:

''(c) LIABILITY FOR TAX.—The tax imposed by this section shall be paid—

''(1) in the case of an allocation referred to in paragraph (1) or (2) of subsection (a), by—

''(A) the employer sponsoring such plan, or

''(B) the eligible worker-owned cooperative,

which made the written statement described in section 664(g)(1)(E) or in section 1042(b)(3)(B) (as the case may be), and

''(2) in the case of an allocation or ownership referred to in paragraph (3) or (4) of subsection (a), by the S corporation the stock in which was so allocated or owned.''.

(3) DEFINITIONS.—Section 4979A(e) (relating to definitions) is amended to read as follows:

''(e) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) DEFINITIONS.—Except as provided in paragraph (2), terms used in this section have the same respective meanings as when used in sections 409 and 4978.

''(2) SPECIAL RULES RELATING TO TAX IMPOSED BY REASON OF PARAGRAPH (3) OR (4) OF SUBSECTION (a).—

''(A) PROHIBITED ALLOCATIONS.—The amount involved with respect to any tax imposed by reason of subsection (a)(3) is the amount allocated to the account of any person in violation of section 409(p)(1).

''(B) SYNTHETIC EQUITY.—The amount involved with respect to any tax imposed by reason of subsection (a)(4) is the value of the shares on which the synthetic equity is based.

''(C) SPECIAL RULE DURING FIRST NONALLOCATION YEAR.—For purposes of subparagraph (A), the amount involved for the first nonallocation year of any employee stock ownership plan shall be determined by taking into account the total value of all the deemed-owned shares of all disqualified persons with respect to such plan.

''(D) STATUTE OF LIMITATIONS.—The statutory period for the assessment of any tax imposed by this section by reason of paragraph

(3) or (4) of subsection (a) shall not expire before the date which is 3 years from the later of—

''(i) the allocation or ownership referred to in such paragraph giving rise to such tax, or

''(ii) the date on which the Secretary is notified of such allocation or ownership.''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan years beginning after December 31, 2004.

(2) EXCEPTION FOR CERTAIN PLANS.—In the case of any—

(A) employee stock ownership plan established after March 14, 2001, or

(B) employee stock ownership plan established on or before such date if employer securities held by the plan consist of stock in a corporation with respect to which an election under section 1362(a) of the Internal Revenue Code of 1986 is not in effect on such date,

the amendments made by this section shall apply to plan years ending after March 14, 2001.

TITLE VI—REDUCING REGULATORY BURDENS

SEC. 601. MODIFICATION OF TIMING OF PLAN VALUATIONS.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—Paragraph (9) of section 412(c) (relating to annual valuation) is amended to read as follows:

''(9) ANNUAL VALUATION.—

''(A) IN GENERAL.—For purposes of this section, a determination of experience gains and losses and a valuation of the plan's liability shall be made not less frequently than once every year, except that such determination shall be made more frequently to the extent required in particular cases under regulations prescribed by the Secretary.

''(B) VALUATION DATE.—

''(i) CURRENT YEAR.—Except as provided in clause (ii), the valuation referred to in subparagraph (A) shall be made as of a date within the plan year to which the valuation refers or within one month prior to the beginning of such year.

''(ii) ELECTION TO USE PRIOR YEAR VALUATION.—The valuation referred to in subparagraph (A) may be made as of a date within the plan year prior to the year to which the valuation refers if—

''(I) an election is in effect under this clause with respect to the plan, and

''(II) as of such date, the value of the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)).

''(iii) ADJUSTMENTS.—Information under clause (ii) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iv) ELECTION.—An election under clause (ii), once made, shall be irrevocable without the consent of the Secretary.''.

(b) AMENDMENT OF ERISA.—Paragraph (9) of section 302(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended—

(1) by inserting ''(A)'' after ''(9)''; and

(2) by adding at the end the following:

''(B)(i) Except as provided in clause (ii), the valuation referred to in subparagraph (A) shall be made as of a date within the plan year to which the valuation refers or within one month prior to the beginning of such year.

''(ii) The valuation referred to in subparagraph (A) may be made as of a date within the plan year prior to the year to which the valuation refers if—

''(I) an election is in effect under this clause with respect to the plan; and

''(II) as of such date, the value of the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)).

''(iii) Information under clause (ii) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iv) An election under clause (ii), once made, shall be irrevocable without the consent of the Secretary of the Treasury.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 602. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT LOSS OF DIVIDEND DEDUCTION.

(a) IN GENERAL.—Section 404(k)(2)(A) (defining applicable dividends) is amended by striking ''or'' at the end of clause (ii), by redesignating clause (iii) as clause (iv), and by inserting after clause (ii) the following new clause:

''(iii) is, at the election of such participants or their beneficiaries—

''(I) payable as provided in clause (i) or (ii), or

''(II) paid to the plan and reinvested in qualifying employer securities, or''.

(b) STANDARDS FOR DISALLOWANCE.—Section 404(k)(5)(A) (relating to disallowance of deduction) is amended by inserting ''avoidance or'' before ''evasion''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 603. REPEAL OF TRANSITION RULE RELATING TO CERTAIN HIGHLY COMPENSATED EMPLOYEES.

(a) IN GENERAL.—Paragraph (4) of section 1114(c) of the Tax Reform Act of 1986 is hereby repealed.

(b) EFFECTIVE DATE.—The repeal made by subsection (a) shall apply to plan years beginning after December 31, 2001.

SEC. 604. EMPLOYEES OF TAX-EXEMPT ENTITIES.

(a) IN GENERAL.—The Secretary of the Treasury shall modify Treasury Regulations section 1.410(b)–6(g) to provide that employees of an organization described in section 403(b)(1)(A)(i) of the Internal Revenue Code of 1986 who are eligible to make contributions under section 403(b) of such Code pursuant to a salary reduction agreement may be treated as excludable with respect to a plan under section 401(k) or (m) of such Code that is provided under the same general arrangement as a plan under such section 401(k), if—

(1) no employee of an organization described in section 403(b)(1)(A)(i) of such Code is eligible to participate in such section 401(k) plan or section 401(m) plan; and

(2) 95 percent of the employees who are not employees of an organization described in section 403(b)(1)(A)(i) of such Code are eligible to participate in such plan under such section 401(k) or (m).

(b) EFFECTIVE DATE.—The modification required by subsection (a) shall apply as of the same date set forth in section 1426(b) of the Small Business Job Protection Act of 1996.

SEC. 605. CLARIFICATION OF TREATMENT OF EMPLOYER-PROVIDED RETIREMENT ADVICE.

(a) IN GENERAL.—Subsection (a) of section 132 (relating to exclusion from gross income) is amended by striking ''or'' at the end of paragraph (5), by striking the period at the end of paragraph (6) and inserting '', or'', and by adding at the end the following new paragraph:

''(7) qualified retirement planning services.''.

(b) QUALIFIED RETIREMENT PLANNING SERVICES DEFINED.—Section 132 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following:

''(m) QUALIFIED RETIREMENT PLANNING SERVICES.—

''(1) IN GENERAL.—For purposes of this section, the term 'qualified retirement planning services' means any retirement planning advice or information provided to an employee and his spouse by an employer maintaining a qualified employer plan.

''(2) NONDISCRIMINATION RULE.—Subsection (a)(7) shall apply in the case of highly compensated employees only if such services are available on substantially the same terms to each member of the group of employees normally provided education and information regarding the employer's qualified employer plan.

''(3) QUALIFIED EMPLOYER PLAN.—For purposes of this subsection, the term 'qualified employer plan' means a plan, contract, pension, or account described in section 219(g)(5).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 606. REPORTING SIMPLIFICATION.

(a) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR OWNERS AND THEIR SPOUSES.—

(1) IN GENERAL.—The Secretary of the Treasury and the Secretary of Labor shall modify the requirements for filing annual returns with respect to one-participant retirement plans to ensure that such plans with assets of $250,000 or less as of the close of the plan year need not file a return for that year.

(2) ONE-PARTICIPANT RETIREMENT PLAN DEFINED.—For purposes of this subsection, the term ''one-participant retirement plan'' means a retirement plan that—

(A) on the first day of the plan year—

(i) covered only the employer (and the employer's spouse) and the employer owned the entire business (whether or not incorporated); or

(ii) covered only one or more partners (and their spouses) in a business partnership (including partners in an S or C corporation);

(B) meets the minimum coverage requirements of section 410(b) of the Internal Revenue Code of 1986 without being combined with any other plan of the business that covers the employees of the business;

(C) does not provide benefits to anyone except the employer (and the employer's spouse) or the partners (and their spouses);

(D) does not cover a business that is a member of an affiliated service group, a controlled group of corporations, or a group of businesses under common control; and

(E) does not cover a business that leases employees.

(3) OTHER DEFINITIONS.—Terms used in paragraph (2) which are also used in section 414 of the Internal Revenue Code of 1986 shall have the respective meanings given such terms by such section.

(b) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR PLANS WITH FEWER THAN 25 EMPLOYEES.—In the case of plan years beginning after December 31, 2002, the Secretary of the Treasury and the Secretary of Labor shall provide for the filing of a simplified annual return for any retirement plan which covers less than 25 employees on the first day of a plan year and which meets the requirements described in subparagraphs (B), (D), and (E) of subsection (a)(2).

(c) EFFECTIVE DATE.—The provisions of this section shall take effect on January 1, 2002.

SEC. 607. IMPROVEMENT OF EMPLOYEE PLANS COMPLIANCE RESOLUTION SYSTEM.

The Secretary of the Treasury shall continue to update and improve the Employee Plans Compliance Resolution System (or any successor program) giving special attention to—

(1) increasing the awareness and knowledge of small employers concerning the availability and use of the program;

(2) taking into account special concerns and circumstances that small employers face with respect to compliance and correction of compliance failures;

(3) extending the duration of the self-correction period under the Self-Correction Program for significant compliance failures;

(4) expanding the availability to correct insignificant compliance failures under the Self-Correction Program during audit; and

(5) assuring that any tax, penalty, or sanction that is imposed by reason of a compliance failure is not excessive and bears a reasonable relationship to the nature, extent, and severity of the failure.

SEC. 608. REPEAL OF THE MULTIPLE USE TEST.

(a) IN GENERAL.—Paragraph (9) of section 401(m) is amended to read as follows:

''(9) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection and subsection (k), including regulations permitting appropriate aggregation of plans and contributions.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 609. FLEXIBILITY IN NONDISCRIMINATION, COVERAGE, AND LINE OF BUSINESS RULES.

(a) NONDISCRIMINATION.—

(1) IN GENERAL.—The Secretary of the Treasury shall, by regulation, provide that a plan shall be deemed to satisfy the requirements of section 401(a)(4) of the Internal Revenue Code of 1986 if such plan satisfies the facts and circumstances test under section 401(a)(4) of such Code, as in effect before January 1, 1994, but only if—

(A) the plan satisfies conditions prescribed by the Secretary to appropriately limit the availability of such test; and

(B) the plan is submitted to the Secretary for a determination of whether it satisfies such test.

Subparagraph (B) shall only apply to the extent provided by the Secretary.

(2) EFFECTIVE DATES.—

(A) REGULATIONS.—The regulation required by paragraph (1) shall apply to years beginning after December 31, 2003.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under paragraph (1)(A) shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

(b) COVERAGE TEST.—

(1) IN GENERAL.—Section 410(b)(1) (relating to minimum coverage requirements) is amended by adding at the end the following:

''(D) In the case that the plan fails to meet the requirements of subparagraphs (A), (B) and (C), the plan—

''(i) satisfies subparagraph (B), as in effect immediately before the enactment of the Tax Reform Act of 1986,

''(ii) is submitted to the Secretary for a determination of whether it satisfies the requirement described in clause (i), and

''(iii) satisfies conditions prescribed by the Secretary by regulation that appropriately limit the availability of this subparagraph.

Clause (ii) shall apply only to the extent provided by the Secretary.''.

(2) EFFECTIVE DATES.—

(A) IN GENERAL.—The amendment made by paragraph (1) shall apply to years beginning after December 31, 2003.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under regulations prescribed by the Secretary under section 410(b)(1)(D) of the Internal Revenue Code of 1986 shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

(c) LINE OF BUSINESS RULES.—The Secretary of the Treasury shall, on or before December 31, 2003, modify the existing regulations issued under section 414(r) of the Internal Revenue Code of 1986 in order to expand (to the extent that the Secretary determines appropriate) the ability of a pension plan to demonstrate compliance with the line of business requirements based upon the facts and circumstances surrounding the design and operation of the plan, even though the plan is unable to satisfy the mechanical tests currently used to determine compliance.

SEC. 610. EXTENSION TO ALL GOVERNMENTAL PLANS OF MORATORIUM ON APPLICATION OF CERTAIN NONDISCRIMINATION RULES APPLICABLE TO STATE AND LOCAL PLANS.

(a) IN GENERAL.—

(1) Subparagraph (G) of section 401(a)(5) of the Internal Revenue Code of 1986 and subparagraph (H) of section 401(a)(26) are each amended by striking ''section 414(d))'' and all that follows and inserting ''section 414(d)).''.

(2) Subparagraph (G) of section 401(k)(3) and paragraph (2) of section 1505(d) of the Taxpayer Relief Act of 1997 are each amended by striking ''maintained by a State or local government or political subdivision thereof (or agency or instrumentality thereof)''.

(b) CONFORMING AMENDMENTS.—

(1) The heading for subparagraph (G) of section 401(a)(5) is amended to read as follows: ''GOVERNMENTAL PLANS.—''.

(2) The heading for subparagraph (H) of section 401(a)(26) is amended to read as follows: ''EXCEPTION FOR GOVERNMENTAL PLANS.—''.

(3) Subparagraph (G) of section 401(k)(3) is amended by inserting ''GOVERNMENTAL PLANS.—'' after ''(G)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 611. NOTICE AND CONSENT PERIOD REGARDING DISTRIBUTIONS.

(a) EXPANSION OF PERIOD.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—

(A) IN GENERAL.—Subparagraph (A) of section 417(a)(6) is amended by striking ''90-day'' and inserting ''180-day''.

(B) MODIFICATION OF REGULATIONS.—The Secretary of the Treasury shall modify the regulations under sections 402(f), 411(a)(11), and 417 of the Internal Revenue Code of 1986 to substitute ''180 days'' for ''90 days'' each place it appears in Treasury Regulations sections 1.402(f)–1, 1.411(a)–11(c), and 1.417(e)–1(b).

(2) AMENDMENT OF ERISA.—

(A) IN GENERAL.—Section 205(c)(7)(A) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1055(c)(7)(A)) is amended by striking ''90-day'' and inserting ''180-day''.

(B) MODIFICATION OF REGULATIONS.—The Secretary of the Treasury shall modify the regulations under part 2 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 to the extent that they relate to sections 203(e) and 205 of such Act to substitute ''180 days'' for ''90 days'' each place it appears.

(3) EFFECTIVE DATE.—The amendments made by paragraph (1)(A) and (2)(A) and the modifications required by paragraph (1)(B) shall apply to years beginning after December 31, 2001.

(b) CONSENT REGULATION INAPPLICABLE TO CERTAIN DISTRIBUTIONS.—

(1) IN GENERAL.—The Secretary of the Treasury shall modify the regulations under section 411(a)(11) of the Internal Revenue Code of 1986 and under section 205 of the Employee Retirement Income Security Act of 1974 to provide that the description of a participant's right, if any, to defer receipt of a distribution shall also describe the consequences of failing to defer such receipt.

(2) EFFECTIVE DATE.—The modifications required by paragraph (1) shall apply to years beginning after December 31, 2001.

SEC. 612. ANNUAL REPORT DISSEMINATION.

(a) REPORT AVAILABLE THROUGH ELECTRONIC MEANS.—Section 104(b)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1024(b)(3)) is amended by adding at the end the following new sentence: ''The requirement to furnish information under the previous sentence shall be satisfied if the administrator makes such information reasonably available through electronic means or other new technology.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to reports for years beginning after December 31, 2000.

SEC. 613. TECHNICAL CORRECTIONS TO SAVER ACT.

Section 517 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1147) is amended—

(1) in subsection (a), by striking ''2001 and 2005 on or after September 1 of each year involved'' and inserting ''2001, 2005, and 2009 in the month of September of each year involved'';

(2) in subsection (b), by adding at the end the following new sentence: ''To effectuate the purposes of this paragraph, the Secretary may enter into a cooperative agreement, pursuant to the Federal Grant and Cooperative Agreement Act of 1977 (31 U.S.C. 6301 et seq.), with the American Savings Education Council or any other appropriate, qualified entity.'';

(3) in subsection (e)(2)—

(A) by striking ''Committee on Labor and Human Resources'' in subparagraph (D) and inserting ''Committee on Health, Education, Labor, and Pensions'';

(B) by striking subparagraph (F) and inserting the following:

''(F) the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the House of Representatives and the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the Senate;'';

(C) by redesignating subparagraph (G) as subparagraph (J); and

(D) by inserting after subparagraph (F) the following new subparagraphs:

''(G) the Chairman and Ranking Member of the Committee on Finance of the Senate;

''(H) the Chairman and Ranking Member of the Committee on Ways and Means of the House of Representatives;

''(I) the Chairman and Ranking Member of the Subcommittee on Employer-Employee Relations of the Committee on Education and the Workforce of the House of Representatives; and'';

(4) in subsection (e)(3)—

(A) by striking ''There shall be not more than 200 additional participants.'' in subparagraph (A) and inserting ''The participants in the National Summit shall also include additional participants appointed under this subparagraph.'';

(B) by striking ''one-half shall be appointed by the President,'' in subparagraph (A)(i) and inserting ''not more than 100 participants shall be appointed under this clause by the President,'';

(C) by striking ''one-half shall be appointed by the elected leaders of Congress'' in subparagraph (A)(ii) and inserting ''not more than 100 participants shall be appointed under this clause by the elected leaders of Congress'';

(D) by redesignating subparagraph (B) as subparagraph (C); and

(E) by inserting after subparagraph (A) the following new subparagraph:

''(B) PRESIDENTIAL AUTHORITY FOR ADDITIONAL APPOINTMENTS.—The President, in consultation with the elected leaders of Congress referred to in subsection (a), may appoint under this subparagraph additional participants to the National Summit. The number of such additional participants appointed under this subparagraph may not exceed the lesser of 3 percent of the total number of all additional participants appointed under this paragraph, or 10. Such additional participants shall be appointed from persons nominated by the organization referred to in subsection (b)(2) which is made up of private sector businesses and associations partnered with Government entities to promote long term financial security in retirement through savings and with which the Secretary is required thereunder to consult and cooperate and shall not be Federal, State, or local government employees.'';

(5) in subsection (e)(3)(C) (as redesignated), by striking ''January 31, 1998'' and inserting ''May 1, 2001, May 1, 2005, and May 1, 2009, for each of the subsequent summits, respectively'';

(6) in subsection (f)(1)(C), by inserting '', no later than 90 days prior to the date of the commencement of the National Summit,'' after ''comment'';

(7) in subsection (g), by inserting '', in consultation with the congressional leaders specified in subsection (e)(2),'' after ''report'' the first place it appears;

(8) in subsection (i)—

(A) by striking ''beginning on or after October 1, 1997'' in paragraph (1) and inserting ''2001, 2005, and 2009''; and

(B) by adding at the end the following new paragraph:

''(3) RECEPTION AND REPRESENTATION AUTHORITY.—The Secretary is hereby granted reception and representation authority limited specifically to the events at the National Summit. The Secretary shall use any private contributions accepted in connection with the National Summit prior to using funds appropriated for purposes of the National Summit pursuant to this paragraph.''; and

(9) in subsection (k)—

(A) by striking ''shall enter into a contract on a sole-source basis'' and inserting ''may enter into a contract on a sole-source basis''; and

(B) by striking ''fiscal year 1998'' and inserting ''fiscal years 2001, 2005, and 2009''.

TITLE VII—OTHER ERISA PROVISIONS

SEC. 701. MISSING PARTICIPANTS.

(a) IN GENERAL.—Section 4050 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1350) is amended by redesignating subsection (c) as subsection (e) and by inserting after subsection (b) the following new subsections:

''(c) MULTIEMPLOYER PLANS.—The corporation shall prescribe rules similar to the rules in subsection (a) for multiemployer plans covered by this title that terminate under section 4041A.

''(d) PLANS NOT OTHERWISE SUBJECT TO TITLE.—

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

''(2) INFORMATION TO THE CORPORATION.—To the extent provided in regulations, the plan administrator of a plan described in paragraph (4) shall, upon termination of the plan, provide the corporation information with respect to benefits of a missing participant if the plan transfers such benefits—

''(A) to the corporation, or

''(B) to an entity other than the corporation or a plan described in paragraph (4)(B)(ii).

''(3) PAYMENT BY THE CORPORATION.—If benefits of a missing participant were transferred to the corporation under paragraph (1), the corporation shall, upon location of the participant or beneficiary, pay to the participant or beneficiary the amount transferred (or the appropriate survivor benefit) either—

''(A) in a single sum (plus interest), or

''(B) in such other form as is specified in regulations of the corporation.

''(4) PLANS DESCRIBED.—A plan is described in this paragraph if—

''(A) the plan is a pension plan (within the meaning of section 3(2))—

''(i) to which the provisions of this section do not apply (without regard to this subsection), and

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

''(B) at the time the assets are to be distributed upon termination, the plan—

''(i) has missing participants, and

''(ii) has not provided for the transfer of assets to pay the benefits of all missing participants to another pension plan (within the meaning of section 3(2)).

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

(b) CONFORMING AMENDMENTS.—Section 206(f) of such Act (29 U.S.C. 1056(f)) is amended—

(1) by striking ''title IV'' and inserting ''section 4050''; and

(2) by striking ''the plan shall provide that,''.

(c) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions made after final regulations implementing subsections (c) and (d) of section 4050 of the Employee Retirement Income Security Act of 1974 (as added by subsection (a)), respectively, are prescribed.

SEC. 702. REDUCED PBGC PREMIUM FOR NEW PLANS OF SMALL EMPLOYERS.

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

(1) in clause (i), by inserting ''other than a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined),'' after ''single-employer plan,'',

(2) in clause (iii), by striking the period at the end and inserting '', and'', and

(3) by adding at the end the following new clause:

''(iv) in the case of a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined) for the plan year, $5 for each individual who is a participant in such plan during the plan year.''.

(b) DEFINITION OF NEW SINGLE-EMPLOYER PLAN.—Section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)) is amended by adding at the end the following new subparagraph:

''(F)(i) For purposes of this paragraph, a single-employer plan maintained by a contributing sponsor shall be treated as a new single-employer plan for each of its first 5 plan years if, during the 36-month period ending on the date of the adoption of such plan, the sponsor or any member of such sponsor's controlled group (or any predecessor of either) did not establish or maintain a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new single-employer plan.

''(ii)(I) For purposes of this paragraph, the term 'small employer' means an employer which on the first day of any plan year has, in aggregation with all members of the controlled group of such employer, 100 or fewer employees.

''(II) In the case of a plan maintained by two or more contributing sponsors that are not part of the same controlled group, the employees of all contributing sponsors and controlled groups of such sponsors shall be aggregated for purposes of determining whether any contributing sponsor is a small employer.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plans established after December 31, 2001.

SEC. 703. REDUCTION OF ADDITIONAL PBGC PREMIUM FOR NEW AND SMALL PLANS.

(a) NEW PLANS.—Subparagraph (E) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(E)) is amended by adding at the end the following new clause:

''(v) In the case of a new defined benefit plan, the amount determined under clause (ii) for any plan year shall be an amount equal to the product of the amount determined under clause (ii) and the applicable percentage. For purposes of this clause, the term 'applicable percentage' means—

''(I) 0 percent, for the first plan year.

''(II) 20 percent, for the second plan year.

''(III) 40 percent, for the third plan year.

''(IV) 60 percent, for the fourth plan year.

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

For purposes of this clause, a defined benefit plan (as defined in section 3(35)) maintained by a contributing sponsor shall be treated as a new defined benefit plan for each of its first 5 plan years if, during the 36-month period ending on the date of the adoption of the plan, the sponsor and each member of any controlled group including the sponsor (or any predecessor of either) did not establish or maintain a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new plan.''.

(b) SMALL PLANS.—Paragraph (3) of section 4006(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)), as amended by section 702(b), is amended—

(1) by striking ''The'' in subparagraph (E)(i) and inserting ''Except as provided in subparagraph (G), the'', and

(2) by inserting after subparagraph (F) the following new subparagraph:

''(G)(i) In the case of an employer who has 25 or fewer employees on the first day of the plan year, the additional premium determined under subparagraph (E) for each participant shall not exceed $5 multiplied by the number of participants in the plan as of the close of the preceding plan year.

''(ii) For purposes of clause (i), whether an employer has 25 or fewer employees on the first day of the plan year is determined taking into consideration all of the employees of all members of the contributing sponsor's controlled group. In the case of a plan maintained by two or more contributing sponsors, the employees of all contributing sponsors and their controlled groups shall be aggregated for purposes of determining whether the 25-or-fewer-employees limitation has been satisfied.''.

(c) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendments made by subsection (a) shall apply to plans established after December 31, 2001.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to plan years beginning after December 31, 2001.

SEC. 704. AUTHORIZATION FOR PBGC TO PAY INTEREST ON PREMIUM OVERPAYMENT REFUNDS.

(a) IN GENERAL.—Section 4007(b) of the Employment Retirement Income Security Act of 1974 (29 U.S.C. 1307(b)) is amended—

(1) by striking ''(b)'' and inserting ''(b)(1)'', and

(2) by inserting at the end the following new paragraph:

''(2) The corporation is authorized to pay, subject to regulations prescribed by the corporation, interest on the amount of any overpayment of premium refunded to a designated payor. Interest under this paragraph shall be calculated at the same rate and in the same manner as interest is calculated for underpayments under paragraph (1).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to interest accruing for periods beginning not earlier than the date of the enactment of this Act.

SEC. 705. SUBSTANTIAL OWNER BENEFITS IN TERMINATED PLANS.

(a) MODIFICATION OF PHASE-IN OF GUARANTEE.—Section 4022(b)(5) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1322(b)(5)) is amended to read as follows:

''(5)(A) For purposes of this paragraph, the term 'majority owner' means an individual who, at any time during the 60-month period ending on the date the determination is being made—

''(i) owns the entire interest in an unincorporated trade or business,

''(ii) in the case of a partnership, is a partner who owns, directly or indirectly, 50 percent or more of either the capital interest or the profits interest in such partnership, or

''(iii) in the case of a corporation, owns, directly or indirectly, 50 percent or more in value of either the voting stock of that corporation or all the stock of that corporation.

For purposes of clause (iii), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).

''(B) In the case of a participant who is a majority owner, the amount of benefits guaranteed under this section shall equal the product of—

''(i) a fraction (not to exceed 1) the numerator of which is the number of years from the later of the effective date or the adoption date of the plan to the termination date, and the denominator of which is 10, and

''(ii) the amount of benefits that would be guaranteed under this section if the participant were not a majority owner.''.

(b) MODIFICATION OF ALLOCATION OF ASSETS.—

(1) Section 4044(a)(4)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1344(a)(4)(B)) is amended by striking ''section 4022(b)(5)'' and inserting ''section 4022(b)(5)(B)''.

(2) Section 4044(b) of such Act (29 U.S.C. 1344(b)) is amended—

(A) by striking ''(5)'' in paragraph (2) and inserting ''(4), (5),'', and

(B) by redesignating paragraphs (3) through (6) as paragraphs (4) through (7), respectively, and by inserting after paragraph (2) the following new paragraph:

''(3) If assets available for allocation under paragraph (4) of subsection (a) are insufficient to satisfy in full the benefits of all individuals who are described in that paragraph, the assets shall be allocated first to benefits described in subparagraph (A) of that paragraph. Any remaining assets shall then be allocated to benefits described in subparagraph (B) of that paragraph. If assets allocated to such subparagraph (B) are insufficient to satisfy in full the benefits described in that subparagraph, the assets shall be allocated pro rata among individuals on the basis of the present value (as of the termination date) of their respective benefits described in that subparagraph.''.

(c) CONFORMING AMENDMENTS.—

(1) Section 4021 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1321) is amended—

(A) in subsection (b)(9), by striking ''as defined in section 4022(b)(6)'', and

(B) by adding at the end the following new subsection:

''(d) For purposes of subsection (b)(9), the term 'substantial owner' means an individual who, at any time during the 60-month period ending on the date the determination is being made—

''(1) owns the entire interest in an unincorporated trade or business,

''(2) in the case of a partnership, is a partner who owns, directly or indirectly, more than 10 percent of either the capital interest or the profits interest in such partnership, or

''(3) in the case of a corporation, owns, directly or indirectly, more than 10 percent in value of either the voting stock of that corporation or all the stock of that corporation.

For purposes of paragraph (3), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).''.

(2) Section 4043(c)(7) of such Act (29 U.S.C. 1343(c)(7)) is amended by striking ''section 4022(b)(6)'' and inserting ''section 4021(d)''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to plan terminations—

(A) under section 4041(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1341(c)) with respect to which notices of intent to terminate are provided under section 4041(a)(2) of such Act (29 U.S.C. 1341(a)(2)) after December 31, 2001, and

(B) under section 4042 of such Act (29 U.S.C. 1342) with respect to which proceedings are instituted by the corporation after such date.

(2) CONFORMING AMENDMENTS.—The amendments made by subsection (c) shall take effect on January 1, 2002.

SEC. 706. CIVIL PENALTIES FOR BREACH OF FIDUCIARY RESPONSIBILITY.

(a) IMPOSITION AND AMOUNT OF PENALTY MADE DISCRETIONARY.—Section 502(l)(1) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(l)(1)) is amended—

(1) by striking ''shall'' and inserting ''may'', and

(2) by striking ''equal to'' and inserting ''not greater than''.

(b) APPLICABLE RECOVERY AMOUNT.—Section 502(l)(2) of such Act (29 U.S.C. 1132(l)(2)) is amended by inserting after ''fiduciary or other person'' the following: ''(or from any other person on behalf of any such fiduciary or other person)''.

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

''(5) A person shall be jointly and severally liable for the penalty described in paragraph (1) to the same extent that such person is jointly and severally liable for the applicable recovery amount on which the penalty is based.

''(6) No penalty shall be assessed under this subsection unless the person against whom the penalty is assessed is given notice and opportunity for a hearing with respect to the violation and applicable recovery amount.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to any breach of fiduciary responsibility or other violation of part 4 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 occurring on or after the date of the enactment of this Act.

SEC. 707. BENEFIT SUSPENSION NOTICE.

(a) MODIFICATION OF REGULATION.—The Secretary of Labor shall modify the regulation under subparagraph (B) of section 203(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)(3)(B)) to provide that the notification required by such regulation in connection with any suspension of benefits described in such subparagraph—

(1) in the case of an employee who returns to service under the plan after commencement of payment of benefits under the plan—

(A) shall be made during the first calendar month or payroll period in which the plan withholds payments, and

(B) if a reduced rate of future benefit accrual will apply to the returning employee (as of the first date of participation in the plan by the employee after returning to work), shall include a statement that the rate of future benefit accrual will be reduced, and

(2) in the case of any employee who is not described in paragraph (1)—

(A) may be included in the summary plan description for the plan furnished in accordance with section 104(b) of such Act (29 U.S.C. 1024(b)), rather than in a separate notice, and

(B) need not include a copy of the relevant plan provisions.

(b) EFFECTIVE DATE.—The modification made under this section shall apply to plan years beginning after December 31, 2001.

SEC. 708. STUDIES.

(a) MODEL SMALL EMPLOYER GROUP PLANS STUDY.—As soon as practicable after the date of the enactment of this Act, the Secretary of Labor, in consultation with the Secretary of the Treasury, shall conduct a study to determine—

(1) the most appropriate form or forms of—

(A) employee pension benefit plans which would—

(i) be simple in form and easily maintained by multiple small employers, and

(ii) provide for ready portability of benefits for all participants and beneficiaries,

(B) alternative arrangements providing comparable benefits which may be established by employee or employer associations, and

(C) alternative arrangements providing comparable benefits to which employees may contribute in a manner independent of employer sponsorship, and

(2) appropriate methods and strategies for making pension plan coverage described in paragraph (1) more widely available to American workers.

(b) MATTERS TO BE CONSIDERED.—In conducting the study under subsection (a), the Secretary of Labor shall consider the adequacy and availability of existing employee pension benefit plans and the extent to which existing models may be modified to be more accessible to both employees and employers.

(c) REPORT.—Not later than 18 months after the date of the enactment of this Act, the Secretary of Labor shall report the results of the study under subsection (a), together with the Secretary's recommendations, to the Committee on Education and the Workforce and the Committee on Ways and Means of the House of Representatives and the Committee on Health, Education, Labor, and Pensions and the Committee on Finance of the Senate. Such recommendations shall include one or more model plans described in subsection (a)(1)(A) and model alternative arrangements described in subsections (a)(1)(B) and (a)(1)(C) which may serve as the basis for appropriate administrative or legislative action.

(d) STUDY ON EFFECT OF LEGISLATION.—Not later than 5 years after the date of the enactment of this Act, the Secretary of Labor shall submit to the Committee on Education

and the Workforce of the House of Representatives and the Committee on Health, Education, Labor, and Pensions of the Senate a report on the effect of the provisions of this Act on pension plan coverage, including any change in—

(1) the extent of pension plan coverage for low and middle-income workers,

(2) the levels of pension plan benefits generally,

(3) the quality of pension plan coverage generally,

(4) workers' access to and participation in pension plans, and

(5) retirement security.

TITLE VIII—PLAN AMENDMENTS

SEC. 801. PROVISIONS RELATING TO PLAN AMENDMENTS.

(a) IN GENERAL.—If this section applies to any plan or contract amendment—

(1) such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in subsection (b)(2)(A); and

(2) except as provided by the Secretary of the Treasury, such plan shall not fail to meet the requirements of section 411(d)(6) of the Internal Revenue Code of 1986 or section 204(g) of the Employee Retirement Income Security Act of 1974 by reason of such amendment.

(b) AMENDMENTS TO WHICH SECTION APPLIES.—

(1) IN GENERAL.—This section shall apply to any amendment to any plan or annuity contract which is made—

(A) pursuant to any amendment made by this Act, or pursuant to any regulation issued under this Act; and

(B) on or before the last day of the first plan year beginning on or after January 1, 2004.

In the case of a governmental plan (as defined in section 414(d) of the Internal Revenue Code of 1986), this paragraph shall be applied by substituting ''2006'' for ''2004''.

(2) CONDITIONS.—This section shall not apply to any amendment unless—

(A) during the period—

(i) beginning on the date the legislative or regulatory amendment described in paragraph (1)(A) takes effect (or in the case of a plan or contract amendment not required by such legislative or regulatory amendment, the effective date specified by the plan); and

(ii) ending on the date described in paragraph (1)(B) (or, if earlier, the date the plan or contract amendment is adopted),

the plan or contract is operated as if such plan or contract amendment were in effect; and

(B) such plan or contract amendment applies retroactively for such period.

The SPEAKER pro tempore. After 90 minutes of debate on the bill as amended, it shall be in order to consider the further amendment printed in House Report 107–53, which may be offered only by a Member designated in the report, shall be considered read and shall be debatable for 1 hour, equally divided and controlled by the proponent and an opponent.

The gentleman from California (Mr. THOMAS) and the gentleman from New York (Mr. RANGEL) each will control 30 minutes of debate on the bill, and the gentleman from Ohio (Mr. BOEHNER) and the gentleman from New Jersey (Mr. ANDREWS) each will control 15 minutes of debate on the bill.

The Chair understands that the representatives of the Committee on Education and the Workforce will manage their time at the outset of the debate.

The Chair recognizes the gentleman from Ohio (Mr. BOEHNER).

Mr. BOEHNER. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise today in strong support of H.R. 10. Improving retirement security is a top priority of this Congress as we work to secure America's future.

Mr. Speaker, improving retirement security is not just about fixing Social Security. It is also about expanding access to private pension plans and making innovations that will maximize every American's opportunity for a safe and secure retirement. We are committed to strengthening the retirement security of workers and their families by expanding pension coverage and protecting their pensions and their retirement savings.

Today, we take up a bill that will directly improve the retirement security of American workers. The Comprehensive Retirement Security and Pension Reform Act of 2001 makes retirement security more available to millions of workers by, one, expanding small business retirement plans, which cover 75 percent of the workforce; two, allowing workers to save more; three, addressing the needs of an increasingly mobile workforce through greater portability; four, making pensions more secure; and five, cutting the red tape that has hamstrung employers who want to establish pension plans for their employees.

This legislation, introduced by my two colleagues, the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN), is truly bipartisan. They have done a great job for this House on this issue over 3 years now, and our committee, the Committee on Education and the Workforce, reported H.R. 10 by a bipartisan voice vote. In July 2000, the House passed a virtually identical bill, H.R. 1102, by a vote of 401 to 25.

The committee has made every effort to maintain this bipartisan approach. Both this Congress and last, we have kept our Democrat counterparts and the administration fully informed as to procedural and substantive issues related to the bill. We have solicited their input and sought to accommodate their concerns. In addition, we have worked closely with our colleagues on the Committee on Ways and Means, and I want to thank the gentleman from California (Chairman THOMAS) and his staff for their help and leadership in moving this bill to the floor.

Rarely has such an ambitious piece of legislation earned such broad support. Today, about 175 Republicans and 130 Democrats are cosponsors of the bill. More than 100 groups have endorsed the bill, both businesses and unions, from AFSCME, the Teamsters, the Laborers International, and the NEA to the U.S. Chamber, the National Federation of Independent Business, the National Association of Manufacturers, the American Benefits Council, and the American Council of Life Insurers.

The bill contains 22 amendments to the Employee Retirement Income Security Act of 1974. The important changes within our committee's jurisdiction include granting relief from excessive PBGC premiums for new small business plans; accelerating the vesting of workers' accounts; repealing and modifying a wide range of unnecessary and outdated rules and regulations; providing more frequent benefit statements to workers; requiring enhanced disclosure and other protections when future pension benefits are reduced, as in the case of conversion to cash balance accounts; and repealing the so-called full funding limit that arbitrarily limits defined benefit plan funding to a less than actuarially sound level.

Pension reform is a critical issue for our Nation's increasingly mobile workforce, and it spans the generation gap. It concerns both younger workers, whose retirement security is most in doubt today, and older workers, the 76 million baby boomers who are now approaching retirement age.

Whether you are an older worker, a member of Generation X or someone who falls in between, we all have a stake in this issue. Through passage of this bill, we can all take credit for making a real difference in the lives of our constituents.

Mr. Speaker, I reserve the balance of my time.

Mr. ANDREWS. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I rise in support of the legislation. I congratulate our friends, the gentleman from Ohio (Mr. PORTMAN), the gentleman from Maryland (Mr. CARDIN), and on behalf of our ranking member, the gentleman from California (Mr. GEORGE MILLER), we extend our appreciation to the gentleman from Ohio (Chairman BOEHNER), and the subcommittee chairman, the gentleman from Texas (Mr. SAM JOHNSON), for their courtesy and cooperation in this bipartisan effort.

I concur with the remarks the chairman just made that this bill will make a positive difference in a lot of people's lives. It will make a difference when people are determining how much they can afford to put into their 401(k) or IRA. It will positively affect that decision, because they will be able to put more in.

It will positively affect people's lives when a small business person sits down at the end of the year and decides what to do with the excess earnings that he or she has generated during the year. Because of so-called overfunding provisions in the present law, we actually have a law that makes it illegal for small business owners to put substantial amounts of money into a pension fund. We agree that the opposite ought to be the case, that we should encourage people to put as much as possible for as many people as possible into their funds, and that is an achievement of this legislation.

□ 1200

It will make a difference when many Americans who have left the workforce for a while want to catch up for the years that they have missed. Whether it was for raising children or for pursuing an education, for various reasons, people leave the workforce. Their income either declines or disappears altogether. They are unable to put money away during those years. When they return to the workforce and wish to catch up for those lost years, there are artificial limitations on what Americans can save.

This legislation removes those artificial limitations and will help many people, especially women, catch up for those missed years in the workforce.

We are particularly pleased that this legislation corrects an unfair and anomalous situation referred to as the section 415 problem. There are many Americans across the country who for years have driven a truck or worked on construction sites or worked for a public employer who have earned substantial pensions, but when they go to collect those pensions when they retire, they find that they cannot collect all that they are entitled to because of an anomaly that exists under section 415 of the Internal Revenue Code.

This bill corrects that problem. It says to those individuals that they will be able to draw down the income that their plan promised them and that they thought they had earned during those years. This is by no means an attribute or asset for people at the very top of the income scale, it is for people that have driven trucks and built buildings and worked in public hospitals and for governments and schools.

It is one of the reasons why this legislation enjoys the support of AFCSME, the National Education Association, and many, many other labor organizations across the country.

We understand, and later there will be an amendment offered that speaks to this point, that there are many Americans left out of the private pension system altogether, about 70 million of them. We believe that our amendment, offered by the gentleman from Massachusetts (Mr. NEAL), cosponsored by myself and others, will help address that problem. But it is clear that the underlying bill achieves a number of positive things for people across the spectrum.

For this reason, I am pleased to join both Republican and Democratic colleagues in support.

Mr. Speaker, I reserve the balance of my time.

Mr. BOEHNER. Mr. Speaker, I yield 3 minutes to the gentleman from Texas (Mr. SAM JOHNSON), the chairman of the Subcommittee on Employer-Employee Relations.

Mr. SAM JOHNSON of Texas. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, I thank our Democratic colleagues for supporting us on this. It is with great pleasure that I rise today, because I think this is the most significant overhaul of retirement law in 25 years.

Twenty-five years ago, it was common for someone to work an entire lifetime in one job and retire with a pension. A generation later, America has a mobile workforce, and it is not uncommon for employees to spend just a few years at one job and then move to another. As a result, it is harder and harder for people to add to their nest egg with employer support.

It is not that employers do not want to help out. It is just that rules and regulations make it difficult. To these Americans, both employers and employees who want to sock away something for retirement, help is on the way. This Comprehensive Retirement Security and Pension Reform Act of 2001 is going to do just that.

As chair of the Subcommittee on Employer-Employee Relations as well as a member of the Committee on Ways and Means, one of my objectives has been to find ways to expand retirement coverage, and I have had a lot of help from my Democrat colleagues and by small businesses, as well as to search for ways to make retirement plans more friendly.

It is no secret that the cooling economy has bothered people, and people have watched their retirement accounts, their balances, fall. Of course, this makes them uneasy. They are saving for their golden years, retirement; and their nest egg is getting smaller and smaller.

It is time to act now. This Congress is going to do that. To better prepare for the day when they no longer show up for work every morning, the best way to give these people peace of mind is to enact H.R. 10. If we want to secure America's future, people have to feel confident about their retirement; and by passing this bill, we have taken a long step toward making them feel that way.

I think this step down the road to strengthening our private employer-based pension system for all Americans, especially for all of the 70 million baby boomers who are nearing retirement age, is very important. We have to continue down this bipartisan path to ensure that our American workers can enjoy their golden years comfortably and securely. Let us pass this bill to protect our seniors.

Mr. ANDREWS. Mr. Speaker, I am pleased to yield 3 minutes to our friend, the gentleman from Massachusetts (Mr. TIERNEY), a strong supporter of retiree rights, particularly those in the telecommunications industry, and the author of important legislation in that area.

Mr. TIERNEY. Mr. Speaker, I thank the gentleman not only for the time, but for the tremendous effort he has made in trying to make this decent bill even better.

Mr. Speaker, I am what we might term a conditional supporter of H.R. 10. While I believe that this legislation is in fact a step in the right direction toward ensuring retirement security for Americans, I do not think that this legislation really goes far enough in achieving this goal for everyone.

As it stands, this bill is certainly not as comprehensive as it could be, and is not as comprehensive as it should be, a fact that I think is clearly recognized by those of us who join the gentleman from Massachusetts (Mr. NEAL) in support of his amendment that will be offered in a little while.

Today, despite the best intentions of others, the underlying legislation does not quite live up to its billing. Even more important, it does not quite live up enough to the ideal of this representative body attending to the needs of all the Nation's people.

The Portman-Cardin bill does not have something for everyone, but it certainly has a lot for a few. In fact, the Center on Budget and Policy Priorities has most recently published a paper on this bill based on a rather extensive study.

It finds that while the pension provisions will increase savings for some, it does little or nothing to increase savings for the people who are most in need of our help, low- and middle-income workers that comprise the majority of our workforce.

Specifically, the Institute for Taxation and Economic Policy has found that 76.9 percent of the pension and IRA tax reductions that will result in this bill would go to people making $67,000 or more. So if you earn less than $66,000, you will not be able to expect as much as you should if the bill becomes law in its current form.

That same institute has also found that less than 1 percent of the pension and IRA tax provisions of this bill would go to persons making 25 percent or less. That is 40 percent of our Nation's working population. I want to repeat that for those who might not have heard what I just said. Forty percent of the members of our workforce will receive only 1 percent of the benefits yielded as a result of this bill.

Fortunately, we have a way to make this bill actually work better for all people. We can do that. The way to do it is to adopt a substitute that will be offered a little while later.

As we have heard and we will hear again, that substitute would leave intact the base bill and add a few provisions that, by their addition, actually make this a bill that we can be proud of and a bill that would truly make a difference.

As we know, the version of this legislation being considered in the Senate includes measures that would address the needs of those low- and moderate-income savers who contribute to retirement plans. This amendment seeks to bring H.R. 10 more in line with that version.

Specifically, what this amendment would do is simply expand the existing pension coverage for those who currently contribute to pension plans, but

also extend it to those who, for whatever reason, do not and cannot.

The fact is that when weighed against paying medical bills, planning for a child's college education, and making mortgage payments, retirement planning remains a low priority for many families and working people.

Mr. Speaker, this is a legitimate concern that I do not believe H.R. 10 alone takes any significant steps to address.

One final point, Mr. Speaker. If the argument is ever raised that the provisions of this bill are too expensive, let us remember that it is only a fraction of the cost of the base bill, and we have started in this body to have the majority try to give away billions of dollars to the wealthiest 2 percent through estate tax provisions.

We can do better. We should do better with this bill.

The SPEAKER pro tempore (Mr. THORNBERRY). Without objection, the gentleman from Texas (Mr. SAM JOHNSON) will control the time of the gentleman from Ohio (Mr. BOEHNER).

There was no objection.

Mr. SAM JOHNSON of Texas. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I would just like to comment that this bill has helped small businesses, those with less than 50 employees, right on down to one. So in order to help those guys who have not in the past been able to fund retirement plans, they now can, if this bill passes.

Mr. Speaker, I yield 1 minute to the gentlewoman from New Jersey (Mrs. ROUKEMA).

(Mrs. ROUKEMA asked and was given permission to revise and extend her remarks.)

Mrs. ROUKEMA. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, as an original cosponsor of this bill, I rise in strong support of it. I want to associate my comments and observations about the merits of the bill with what the gentleman from Ohio (Chairman BOEHNER) and our colleague, the gentleman from Texas (Mr. JOHNSON), have said.

I also want to say that the legislation is overdue, as has already been pointed out, but that it is particularly appropriate at this time because it has strong support from both employers and employees and is the kind of tax reform that will help Americans save and invest in the future. It complements the tax bill that we are soon to have enacted into law.

I guess I just want to say that I am very confident that President Bush will be signing this legislation in the near future. When it was passed last year it had overwhelming support, bipartisan support; and I fully expect that this will be a supplement to tax reform this year.

This legislation has vast bipartisan support including over 300 cosponsors. Last year, the same legislation passed by a vote of 401 to 25.

Mr. Speaker, this legislation is vitally needed. Only half of all private sector workers have any kind of pension and only 20 percent of small businesses offer retirement plans.

H.R. 10 allows workers to save more money in their IRAs and 401(k) plans. Congress has not raised the contribution limits on IRAs and pensions since the early 1980s. This legislation is timely because it addresses a very real and growing concern for millions of Americans trying to figure out how best to save for their retirement. With this bill, we can change the retirement outlook for millions of Americans.

The provisions in this bill are the most significant expansion of pension law in recent history. Both employers and employees are encouraged to create and participate in pension plans.

Specifically, the current $2,000 IRA contribution limit for both traditional and Roth IRAs are increased to $5,000 by 2003 and indexed for inflation thereafter.

Second, the bill provides increased contribution limits on pre-tax salary contribution to pension plans. For example, the limit on salary reduction contributions to 401(k)-type plans will be raised to $15,000 by 2005.

Third, the legislation includes additional ''catch-up'' provisions that allow workers aged 50 and older to save even more for their retirement needs.

Fourth, the bill includes a portability provision which allows workers to ''roll over'' their pension savings between plans when they change jobs.

Finally, the vesting requirements for employer matching contributions would be reduced to three years from five.

I believe that this bill is a significant step forward in encouraging American workers to save and invest in America. This is an important element of tax reform that this House will overwhelmingly endorse. I am confident that there will be significant pension and IRA reform in the final tax bill that President Bush will sign into law.

I strongly urge my colleagues to support the important legislation.

Mr. ANDREWS. Mr. Speaker, I am pleased to yield 2 minutes to the gentleman from Wisconsin (Mr. KIND), who has spoken very strongly for small business throughout his tenure.

(Mr. KIND asked and was given permission to revise and extend his remarks.)

Mr. KIND. Mr. Speaker, I thank my friend, the gentleman from New Jersey, for yielding me this time, and I commend his leadership and the leadership on the committee for putting together a bipartisan package that is going to be very important to American workers throughout the country and to their retirement security.

According to the Social Security Administration, many retirees receive 19 percent of their income from employer-provided pensions. However, half of private sector workers have no pension coverage at all. In addition, only 29 percent of small businesses with 25 or fewer employees offer pension plans to their employees.

H.R. 10 expands pension coverage and will help to provide retirement plans for those workers who are currently without such a plan. It increases the amount an individual can contribute to retirement accounts, and it allows individuals 50 years and older to make catch-up contributions to their 401(k) plans beginning in 2002, and in 2005 it will be indexed for inflation.

This measure will also require faster vesting of pensions, increase pension portability, and reduce fees for smaller business pension plans.

In the next 15 years, Mr. Speaker, 76 million baby boomers will retire. It is time that we pass legislation that helps encourage retirement and pension savings for all workers.

With the Social Security trust fund currently expected to be exhausted by 2037, we must act now to ensure the financial security of future generations. I believe H.R. 10 is a step in that direction.

I also want to commend my friend, the gentleman from Massachusetts (Mr. TIERNEY), for working hard to include language in this bill that would require the Department of Labor to conduct a study on the impact of H.R. 10 on low- and moderate-income workers. I believe we need to be fair in providing incentives to these low- and moderate-income workers, as well as for those in the upper income brackets, to participate in their retirement plans.

Mr. Speaker, I urge my colleagues today to support this bipartisan bill. Retirement benefits are critical to ensuring that our aging population has the income to live out their golden years.

Again, I commend the leadership, the chairman, and the ranking member on the committee for the fine work they have done with this legislation.

Mr. SAM JOHNSON of Texas. Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. MCKEON), a subcommittee chairman.

Mr. MCKEON. Mr. Speaker, I thank the gentleman for yielding time to me.

Mr. Speaker, I rise today as a proud cosponsor of this legislation.

First, I would like to thank the committee chairman, the gentleman from Ohio (Mr. BOEHNER), of the Committee on Education and the Workforce, and the subcommittee chairman, the gentleman from Texas (Mr. JOHNSON), for their work in bringing this bill to the floor.

I would also like to thank the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN) for their tireless efforts in seeking pension reform.

Mr. Speaker, this bill provides $52 billion in tax relief to help hard-working Americans save for their retirement and their own security. Furthermore, H.R. 10 encourages small businesses to propose pension plans for its workers.

As a former small businessman, I recognize the need to encourage small businesses to offer pension plans. H.R. 10 does just that. This bill streamlines pension laws and repeals and modifies a wide range of unnecessary and outdated rules and regulations.

Specifically, it treats business owners like other pension plan participants by allowing them to take out loans from their retirement plans. This will go a long way in encouraging small businesses to establish benefit plans. For those companies that offer plans already, it will allow them to include a loan feature which will help persuade lower-income individuals to contribute to the plan.

Additionally, several studies show that one of the many reasons small business employers do not establish pension plans is the administrative costs associated with maintaining the plans. H.R. 10 would modify this problem by lowering the Pension Benefit Guaranty Corporation premiums for the new small business defined benefit plans.

Mr. Speaker, the small business education communities believe this reform is vital to encourage greater income security for all Americans. Therefore, I urge all my colleagues to support H.R. 10.

□ 1215

Mr. ANDREWS. Mr. Speaker, I yield 2 minutes to the gentlewoman from New York (Mrs. MCCARTHY), one of the strongest voices for fixing the 415 problem that I spoke to earlier.

Mrs. MCCARTHY of New York. Mr. Speaker, I rise in support of H.R. 10 and its impact on American workers across this country. The United States savings rate is at a level that has not been seen since the Great Depression. This is unfortunate because it forces more people to work later in life to supplement their retirement.

Retirees can no longer live solely on Social Security. Furthermore, not everyone employed is offered a pension or some form of retirement plan. That is why individual retirement accounts initially gained so much support when created in the 1970s. However, the contribution limit was never adjusted for inflation. The current cap of $2,000 does not provide much of an incentive to save as it used to. People are making more money and should be able to save more.

As we have witnessed in the last few months, the stock market is bound to constrict, and those who solely rely upon their stocks as a pension plan will feel the strain the most. That is why it is important to increase the IRA contribution limit to $5,000 and increase the amount contributed to 401(k) plans. H.R. 10 does this and more. It also takes into consideration those on the verge of retirement with catch-up contributions, which will help those people we refer to as the baby boomers, myself included.

We need to provide hard working Americans the option of saving more and relying less on Social Security when they retire. The Portman-Cardin bill allows this to occur.

The SPEAKER pro tempore (Mr. THORNBERRY). The Chair would announce the gentleman from Texas (Mr. SAM JOHNSON) has 4½ minutes remaining and the gentleman from New Jersey (Mr. ANDREWS) has 4½ minutes remaining.

Mr. SAM JOHNSON of Texas. Mr. Speaker, I yield 2½ minutes to the gentleman from Virginia (Mr. GOODLATTE).

Mr. GOODLATTE. Mr. Speaker, I thank the gentleman from Texas for yielding me the time to speak on this important legislation that will modernize pension laws and provide regulatory relief to encourage more small businesses to offer retirement plans.

Mr. Speaker, while Social Security has been one of our greatest success stories, longer life expectancies, accompanied by a wave of baby boomers that will soon begin to reach retirement age, pose new and difficult challenges to our Social Security system. However, Social Security was never intended to be the sole source of income for retirees. Unfortunately, it has become the primary source of income rather than a safety net for many elderly individuals.

In order to alleviate this problem, I urge my colleagues to support H.R. 10, the Comprehensive Retirement Security and Pension Reform Act. This bill is important because it will encourage individual savings, such as IRAs as well as 401(k) plans and other employer-supported retirement plans. By knocking down barriers to savings, by raising limits and allowing workers to set more aside tax free for their retirement, retirees will have the option of saving more for their later years.

I am proud to support this bill because it contains a provision that permits older workers who are returning to the workforce to put even more aside for their pension. Under this bill, workers over 50 can contribute up to $5,000 in catch-up contributions for 401(k)-type plans.

H.R. 10 also responds to the needs of the increasingly mobile workforce we have in this country by allowing people to vest faster in their pension plans and by allowing portability so Americans can move their pension plans from job to job. Workers should be comfortable to change jobs without the worry of managing separate pension plans.

This bill will also modernize and streamline pension laws to encourage small business to offer pension plans. As we all know, employers are not required to offer these plans and many do not do so due to fiscal constraints. However, H.R. 10 repeals and modifies a wide range of unnecessary and outdated rules and regulations. Specifically, H.R. 10 provides incentives to small businesses to offer pension plans to their workers by lowering Pension Benefit Guaranty Corporation premiums for new small business defined benefit plans and eliminates the business user fee for new retirement plans established by small businesses.

I would like to thank the sponsors of this legislation, the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN); along with the chairman of the subcommittee, the gentleman from Ohio (Mr. BOEHNER); and the gentleman from California (Mr. THOMAS), chairman of the Ways and Means Committee, for their efforts in supporting this bill.

I urge my colleagues to support this legislation.

Mr. ANDREWS. Mr. Speaker, I yield 2 minutes to the gentlewoman from New York (Mrs. MALONEY), one of the Members who represents the heart of the financial center of the world.

(Mrs. MALONEY of New York asked and was given permission to revise and extend her remarks.)

Mrs. MALONEY of New York. Mr. Speaker, I thank the gentleman for yielding me this time and for his leadership on this issue and in so many other areas.

Despite the current question about the direction of our economy, there is no doubt that our Nation has been transformed in recent years by the technology sector and the incredible American entrepreneurial spirit that has led small start-up companies to become the most successful businesses in history. I strongly endorse the Portman-Cardin legislation, in part because I believe it helps bring retirement savings programs up to speed with the new economy.

While much of our manufacturing sector has struggled over the last decade, the U.S. has created millions of good-paying new technology jobs, many in my district. This change in our workforce and the transformation of the American workplace has had a major impact on government, on financial services, and on savings. One of the major changes in worker attitudes is that technology workers expect to change jobs several times over their careers. Given the constant change in the technology sector, workers demand pension portability and retirement plans that will travel with them from job to job.

By passing this legislation, we are taking a critical step in allowing an important government saving stimulus to catch up with the reality of today's employment market. Importantly, this legislation also encourages saving by including substantial increases in the IRA limit to $5,000, and 401(k), 403(b) and 457 plan limits to $15,000.

While this legislation benefits younger workers over the long haul, it also provides important catch-up contributions for workers who are 50 or older, so that people who have been out of the workforce for a number of years can build their own nest eggs. Often these older workers are women who, without this provision, would be punished for having taken off time to raise their families. I strongly support this bill.

Mr. ANDREWS. Mr. Speaker, I yield myself the balance of my time and will simply close out for our side reiterating again my appreciation of the gentleman from Ohio (Mr. PORTMAN)

and the gentleman from Maryland (Mr. CARDIN) for their outstanding work on this legislation. I think we can see from the breadth of speakers that there is strong support across the spectrum for this bill.

One of the blessings of this life is that we can reasonably anticipate our children, perhaps some of us, will live to be 100 years old. One of the problems is that we have an income retirement system set up for 75 years' worth of life. I believe that the very wise steps that we are about to take today, and I hope through conference and final passage, will help alleviate that problem. We are very pleased to support this legislation.

Mr. Speaker, I yield back the balance of my time.

Mr. BOEHNER. Mr. Speaker, I yield myself the balance of my time.

Mr. Speaker, let me salute the authors of this bill, the gentleman from Maryland (Mr. CARDIN) and the gentleman from Ohio (Mr. PORTMAN), who really have spent a great deal of time over the last 3 years building support and fine-tuning this legislation. They really have done very good work.

I also want to thank my colleagues on my committee, both the gentleman from Texas (Mr. SAM JOHNSON), the chairman of the Subcommittee on Employer-Employee Relations; and most notably the gentleman from California (Mr. GEORGE MILLER) and the gentleman from New Jersey (Mr. ANDREWS), who we have worked closely together with over the last 3 years as well.

As the gentleman from New Jersey (Mr. ANDREWS) just pointed out, this is a very good bill that will help American workers. We do believe it will help employers who do not currently offer pensions; give them the ability and the flexibility and encouragement to offer pensions to their employees. Our goal ought to be to see that all American workers have access to high-quality pension and profit sharing plans. This bill is a major step in that direction.

Let me also add to something the gentleman from New Jersey pointed out, and that is that the baby boomers are beginning to retire. Most do not have the kind of resources they need to get them through their retirement years. I think that the bill we are about to pass will, in fact, help baby boomers and younger workers begin to set aside more of their income so that when they get into their golden years, they will actually be able to have a happy and successful and productive retirement with the kind of financial security that they need in order to enjoy their retirement years.

Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. All time for the Committee on Education and the Workforce has expired.

The gentleman from California (Mr. THOMAS) and the gentleman from New York (Mr. RANGEL) are now each recognized for 30 minutes.

The Chair recognizes the gentleman from California (Mr. THOMAS).

Mr. THOMAS. Mr. Speaker, I yield myself such time as I may consume.

I also would thank the Committee on Education and the Workforce for the cooperative effort on the product that we have in front of us, H.R. 10, but also just as importantly on the inter-committee relationship where committees share jurisdiction on a particular piece of legislation. The quality of the product will be seen, as was said earlier, on the basis of the number of speakers on both sides of the aisle supporting the document that is in front of us; but it would not have been possible without the willingness of the committees to work together in a bipartisan way.

In turning to the Committee on Ways and Means, I clearly want to give enormous credit to the co-sponsors of this bill, the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN). It is extraordinarily easy to take an issue like this and produce a really good looking $200 billion bill. It is also relatively easy to produce an okay $100 billion bill. It took extraordinary effort to focus on what needed to be changed, overdue adjustments on amounts contributed, and produce this evenhanded excellent piece of work for $51.5 billion over 10 years.

Why do I say that? Because it is exceedingly easy to double the cost of this bill because we want to do as much as we can for as many people as we can. Of course, that is a positive motivating effort; but what I would hope most Members do is focus on the particulars in this bill. Frankly, some of the adjustments are overdue. If it were based upon an indexing on inflation from the time that these numbers were first created, at the time we were talking about creating super IRAs as the Bentsen-Roth–Pickle-Thomas bill did, $2,000 seemed like a major achievement. Today, in this bill, moving it to $5,000 is a significant advancement, but all of us would like to say we would like to do more.

I find it interesting that those who might oppose this bill want to increase the amount that we are going to spend and provide support for people slightly different than the fundamental underlying intention of this bill. The fundamental underlying intention of this bill is to assist people, without punishing them, in putting their own money away to assist in retirement. In that aspect, the Tax Code should reward people who do this; should create incentives and support for people who do that.

The question of assisting people who do not have the wherewithal to do it themselves is a question worthy of consideration, but not at the time that we are considering this particular bill; shaped the way it has been shaped, to make it easier for employers to offer, to allow those who want these various programs to put more of their own money away under the fundamental structure, adjusted to make it timely today. So I just want to underscore to my colleagues that there are a number of issues that we could debate; but they ought to be debated at a different time, under a different forum, if in fact we want to do something fundamentally different than what we are doing in this bill.

This bill is excellent as it has been crafted. The evidence of that is the list, which I am sure is growing, of the more than 100 supporters of H.R. 10, ranging alphabetically from the Airline Pilots Association, the American Bankers Association, all the way down to the United Brotherhood of Carpenters, the U.S. Chamber of Commerce, and virtually every labor and business and corporate group in between.

This bill is frankly overdue. It is time to move it. It is modest and appropriate. And from the chairman of the committee's point of view, it was a real pleasure to work on a measure that passes the committee 35 to six and will be discussed on the floor in the way we would prefer, all of us would prefer, more bills being discussed, and that is, we would like to do more. But this is an excellent work product, the authors are to be complimented, and we ought to support it.

Mr. Speaker, I reserve the balance of my time.

And, Mr. Speaker, I yield the balance of my time to the gentleman from Ohio (Mr. PORTMAN) and ask unanimous consent that he be allowed to control the balance of the time.

□ 1230

The SPEAKER pro tempore (Mr. THORNBERRY). Is there objection to the request of the gentleman from California?

There was no objection.

Mr. CARDIN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I thank the gentleman from California (Mr. THOMAS) for his kind comments; but I really want to thank the gentleman for the manner in which he has led our committee in consideration of the pension legislation. The gentleman from California has allowed us to work in a constructive environment so we could reach the point of having a bill that enjoys broad support on both sides of the aisle. That is indicative of the gentleman's leadership.

Mr. Speaker, I thank the gentleman from Ohio (Mr. PORTMAN) for his extraordinary work. The gentleman from Ohio has worked in a bipartisan way so we could reach this point of having a major, comprehensive pension reform bill that enjoys strong bipartisan support, and support not only in this body, but in the other body. We are going to pass this legislation with a strong vote, and we hope that it will pass the other body and be enacted into law this year.

Mr. Speaker, this bill provides individual tax relief. It will provide billions of dollars of tax relief to individual taxpayers by allowing them to

defer their tax liability by putting more of their own resources and their company's resources into retirement plans. That is very important for our country. It is very important for individuals. It is the building block, and we will hear a lot today about other problems that we have in our society. We need to reform the Social Security system. We agree on that. We need to get lower-wage workers to put more money away; and the government should maybe offer some incentives to do that. Congress needs to fix Social Security and offer retirement accounts for individuals.

Fixing our current retirement system is the first building block in accomplishing those results. I think that my colleagues agree that the legislation before us should pass, and should pass quickly. I am not going to go into great deal of detail. We have heard why this bill is important. It allows small businesses the opportunity to provide pension plans for their employees. That will help workers today who do not have an employer-sponsored plan. Lower-wage workers need their company to offer incentives so they can participate in a pension plan. It raises all of the limits on defined contribution and defined benefit plans.

Mr. Speaker, in raising the limits, we are trying to make up for what inflation has done in reducing the limits by allowing people to make up and be as secure as they used to be in putting money away for their own retirements.

The portability issue, many people change jobs regularly. This bill allows for the combination of those different plans to manage your own retirement. We also shorten the vesting rules which is a very important point.

The bottom line is in the last decade when we started talking about changing our pension laws, we knew that the savings ratios in the United States was too low. Yes, we have had some very impressive economic growth over the last decade. But in one staring example, we are not doing well, and that is the amount of money that we put away as a Nation in savings. Eight years ago, that was about 9 percent of our earnings. Today it is negative. We have actually spent more as a Nation than we earn. We need to do something about increasing savings. This legislation will move us in that direction. I am proud to be associated with this legislation. I know that it will enjoy broad support in this body.

Mr. Speaker, I reserve the balance of my time.

Mr. PORTMAN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, this afternoon we are here on the floor of the House to talk about a very serious problem which faces our country, which is a retirement savings problem. It affects millions of Americans; but importantly, we are also talking about a bipartisan and very constructive solution which addresses the problem directly.

I want to thank Members on both sides of the aisle, many of whom have already spoken, for their hard work on this issue. The gentleman from Maryland (Mr. CARDIN) has been my partner on this effort for the last 3 or 4 or 5 years. We have been to the floor of the House on this very bill, and he has been instrumental in making this a better bill.

I thank the gentleman from California (Mr. THOMAS), the chairman of the Committee on Ways and Means, who is responsible for getting this bill to the floor. He has been a leader on this issue over the year. We all know about the Roth IRA. Here on the House side, we call it the Thomas IRA because he was the House author of that new IRA provision, and for years the gentleman from California has taken a leadership role on expanding retirement security through IRA contributions.

I thank the gentleman from Ohio (Mr. BOEHNER), the chairman of the Committee on Education and the Workforce who spoke earlier. His committee looked at the ERISA provisions and improved them through the process. They are an important component of expanding retirement savings. The gentleman went into that in some detail.

The gentleman from Texas (Mr. SAM JOHNSON), the subcommittee chairman who is also on the Committee on Ways and Means, and has taken a leadership role this year; and I thank the gentleman from New Jersey (Mr. ANDREWS), the ranking member, who has taken a courageous stand on some tough issues on the ERISA side, and taken the correct stand because he has focused on the goal here which is expanding the ability for everybody to save more for their retirement.

Mr. Speaker, this legislation does a number of things, but it can be probably summarized three ways. One, it lets everybody save more for retirement. We move IRA contributions from $2,000 to $5,000 a year. It is just adjusting it for inflation.

We also allow people in 401(k)s to go from $10,500 a year to $15,000 a year, really just restoring these limits to where they were in the 1980s. On 401(k)s, after adjusting for inflation, a taxpayer could save more in the 1980s than they can under our bill. We were constrained by some fiscal concerns that the gentleman from California (Mr. THOMAS) talked about. This is a dramatic increase in what our constituents, millions of Americans, will be able to save for their own retirement.

Second, we help to address the concerns that people have about an increasingly mobile workforce. We increase the vesting time from 5 years down to 3 years so people who are moving from job to job can get into a pension sooner.

We also allow portability between defined contribution plans. The gentleman from North Dakota (Mr. POMEROY) will talk about this, but his legislation is incorporated as part of this legislation to let people as they move from job to job keep their pension in one account. That is very important as more and more people are moving from job to job more and more quickly.

Very importantly, we want to make sure that companies that want to offer pensions can do so without a lot of red tape. This is very important. I would underscore what someone already talked about, it is really a small business problem. An American who works for a large business probably has a pension, and it is probably a pretty decent one. An American who works for a small business probably does not. There is a 1 in 4 chance. Twenty-five or fewer employees, there is only a 19 percent chance that there is a pension at all, even a simple plan.

This Congress passed the Portman-Cardin legislation a few years ago, a SEP plan, for the most basic 401(k). This is where the problem is. This is where most of the low- and moderate-income workers work. This is the focus of this legislation, to give those employers more encouragement and more incentive to offer plans to cover more people so everybody has more retirement security.

The gentleman from California (Mr. THOMAS) and others have talked about what Congress has done over the years. Over the last 20 or 30 years, Congress has done the wrong things in terms of pension coverage. That is why pension coverage is totally flat. That is why 70 million Americas, half the workforce, have nothing at all today. No pension at all. Social Security is not enough. It is hard to live on $900 a month. People need to have increased private savings; and that is what we need to do as a Congress, start making it easier, not more difficult.

Mr. Speaker, we have lowered limits. We have added to the rules and regulations. From 1982 to 1994, the number of traditional defined benefit plans, the good plans, decreased from 114,000 to 45,000. The gentleman from North Dakota (Mr. POMEROY) talked earlier today about how 40 percent fewer people are in these defined benefit plans today. The data is unbelievable.

We need to do more to ensure that low- and moderate-income workers have access to pension plans, and that is why this legislation is so important.

Mr. Speaker, it is a comprehensive approach. It is the most sweeping change in our pension laws since the 1970s. It is something that is going to help everybody, and it is something that every American worker has the ability to benefit from. Seventy-seven percent of the people who are involved in pensions today make less than $50,000 a year. You are going to hear some discussion today how we should target this more towards low- and moderate-income folks. These are the people that are going to get help under this legislation.

Finally, I thank all Members of Congress who have supported this effort over the year. We have over 300 cosponsors of the legislation as of today. We

have, on the outside, over 100 groups who have supported this, from the National Federation of Independent Businesses and other groups supporting small businesses, and the Chamber of Commerce, to the Building and Trades Construction Department of the AFL-CIO. It is a broad cross-section. It is a bipartisan product. It is the product of several years of working carefully together to ensure that we have the best possible way in order to help people save for their own retirement.

Mr. Speaker, the bill is good for our future, our families. It is good for small businesses. It is great for workers, and I hope that we can pass it with a resounding vote in the House of Representatives to give it the momentum that it needs to get through the Senate and end up on the President's desk to be signed into law, and help Americans have more peace of mind and security in their retirement years.

Mr. Speaker, I reserve the balance of my time.

Mr. CARDIN. Mr. Speaker, I yield 5 minutes to the gentlewoman from Florida (Mrs. THURMAN).

Mrs. THURMAN. Mr. Speaker, let me give accolades to the gentleman from Maryland (Mr. CARDIN) and the gentleman from Ohio (Mr. PORTMAN), because I do not believe that this bill would have come to the floor with such bipartisanship if they had not allowed Members to add in and talk about issues which were important.

I think this is a very good bill. I think we could do better with the Democratic substitute, which we will talk about later. But what I would like to discuss is how this bill will help working women.

Mr. Speaker, we talk about families, but women in this bill are going to be helped because the bill contains several provisions to help women, especially those who return to the workforce after their children are grown. Let me give you some ideas.

The catch-up provision would allow women who have taken time out to raise a family to make additional contributions of up to $5,000 per year. In addition, the provision that accelerates vesting of employer-matching contributions will disproportionately help women.

In IRA language, H.R. 10 accelerates the deductible contribution to $5,000 in 2002, and increases the contribution by $5,000 beginning in 2005 for people over the age of 50. This bill includes comparable language for 401(k) and other deferred compensation plans.

Mr. Speaker, in 1997, a GAO study found that women have significantly different work patterns than men. Women are much more likely to leave the workforce and three times as likely to work part-time to accommodate care-giving responsibilities. Women spend roughly 11½ years out of the workforce, caring for children and their families. They also are three times as likely to accommodate care-giving responsibilities, this often during their most lucrative earning years when they could be building their retirement portfolio.

This bill addresses another problem associated with women moving in and out of the workforce: vesting. Women over 25 tend to stay in jobs an average of 4.7 years, often not long enough to obtain the right to the employee's share of the contribution. H.R. 10 makes it easier for workers to keep the employee's share of pension contributions. The result, working women will have a larger retirement nest egg.

When they are working, women's savings priorities are often focused on their children's education and not retirement. Once the children are grown, women need this extra assistance to take care of their own needs.

In addition, women continue to earn less, an average of 26 percent less, than men. Based on this alone, it stands to reason that women would have much less to invest for their retirement.

□ 1245

When they do return to the workforce, they deserve a chance to save more for retirement.

We all know that Social Security is particularly important to women. For most elderly unmarried women, 51 percent of their income is from Social Security. For 25 percent of unmarried women, Social Security is their only source of income. Anything that Congress can do to encourage women to save more for retirement reduces their dependency on Social Security.

Finally, women tend to move to other jobs more frequently than men. The portability provisions of H.R. 10 will let them concentrate their separate retirement accounts for a better rate of return.

As I said, we are going to see a Democratic substitute. I just want to mention a few things in there that I think are critically important to women:

The retirement security account tax credit would be up to a 50 percent refundable credit for low- and middle-income workers who contribute up to $2,000 annually to an employer-sponsored plan or a deductible individual retirement account, better known as an IRA.

The tax credit for small employers' pension plan start-up costs. Small employers, less than 100 employees, would be eligible for a tax credit in an amount equal to 50 percent for the costs that would be incurred as a result of establishing these new qualified pension plans.

Last would be the small employers would be eligible for a tax credit equal to 50 percent of certain employer contributions made to a pension plan on behalf of its non-highly compensated employees.

Mr. Speaker, all these provisions in H.R. 10 and if we include the Democratic substitute I think are a historic opportunity for this House.

Mr. PORTMAN. Mr. Speaker, I yield 2 minutes to the gentleman from Minnesota (Mr. RAMSTAD), my colleague on the Committee on Ways and Means, who has been the leader on including very important provisions in this bill that help ESOP companies.

Mr. RAMSTAD. Mr. Speaker, I thank my colleague for yielding me this time. I rise in strong support of this landmark bipartisan package of pension reforms that will vastly improve the retirement security of American workers. I want to thank the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN), two colleagues and friends on the Committee on Ways and Means, because without their tireless efforts and their leadership on this important pension reform package, we would not be here today.

The need, Mr. Speaker, is clear. Americans are living longer but often they lack the savings needed for a secure retirement. The typical 45-year-old has only 40 percent of the savings needed to avoid a decline in standard of living during retirement. Half of all private sector workers, in fact, still have no pension coverage at all. Worse yet, only 20 percent of job-creating small businesses even offer a pension plan because of the expense and the difficulty of administering such plans.

This legislation, H.R. 10, will help reverse this dire situation. I want to highlight, Mr. Speaker, one of the over 50 provisions in this package which will give American workers a meaningful opportunity to save for their retirement. The provision I am referring to would preserve employee stock ownership plans, or as they are called, ESOPs, for the workers of S corporations, many of which are small businesses. ESOPs give workers an opportunity to own a piece of their business, a piece of the rock, which boosts productivity, morale and retirement savings. This proposal is based on a bill that I introduced last year which was cosponsored by 30 members of the Committee on Ways and Means. It would remove a cloud that was left by the previous administration by preserving this highly effective retirement savings program for broad-based S corporation ESOPs.

Mr. Speaker, H.R. 10 is a win-win for America. That is why it is supported by such a diverse group of small and large businesses, labor organizations and members of both parties. Most importantly, it is strongly supported by the working people of America. I urge my colleagues to pass this important legislation for a secure future for America's workers.

Mr. CARDIN. Mr. Speaker, I am pleased to yield 4 minutes to the gentleman from North Dakota (Mr. POMEROY), my colleague on the Committee on Ways and Means, part of whose bill is included in ours dealing with the portability and vesting.

Mr. POMEROY. Mr. Speaker, I thank the gentleman for yielding me this time and specifically commend the gentleman from Maryland (Mr. CARDIN)

and the gentleman from Ohio (Mr. PORTMAN). Their work has been exemplary bipartisanship in advancing a substantive response on one of the most troubling issues facing the country and, that is, the insufficiency of retirement savings. As in every instance when there is exemplary congressional performance, there are some outstanding staff performances backing it up. I want to cite particularly David Koshgarian backing up the gentleman from Maryland (Mr. CARDIN) and Barbara Pate backing up the gentleman from Ohio (Mr. PORTMAN). Their work has contributed immeasurably to this legislation.

I think there are three things about this bill we should cite in particular. First of all, it makes a direct effort at revitalizing defined benefit pensions in the marketplace today. As the gentleman from Ohio (Mr. PORTMAN) noted, the number of workers covered by the reliable, traditional pension program has fallen 40 percent during the 20-year period between 1975 and 1995; and I believe it has fallen, no doubt, significantly further even today. By raising the limits, you bring the employers, you bring the decisionmakers within a company back into the qualified plan and, I believe, enhance the prospects that the worker on the line, on the shop floor keeps the pension in its traditional form.

Secondly, the bill advances portability by incorporating the retirement account portability legislation I have introduced in the last three Congresses. We have a hodgepodge in the Tax Code of retirement savings provisions, different ones for for-profit, different ones for nonprofit, different ones for State and local government.

You can have, for example, a worker through their career, let us say they come out of college and go into nursing for a nonprofit hospital. They would have a 403(b) defined contribution plan. Let us say after that they go to State government and work in the health department. They would have a 457 plan. Ultimately they end up in a private for-profit clinic where they would have a 401(k) plan. Each of these is incompatible with the other under existing law and you could not combine your accounts. The result is people have their accounts distributed. We know that in over half the cases where they take the lump sum distribution, they do not reinvest them in retirement savings.

This is a case where the Tax Code, rather than trying to incent Americans to save, actually discourages savings. It is 100 percent the wrong way to go. That is why the portability feature is so important. Finally, vesting. We know that on average workers are staying with an employer in the workforce about 4½ years. It takes 5 years before the employer's share is vested in a retirement savings account where the employer has that provision. Under Federal law, they are allowed to have vesting be a 5-year period. This brings that down to 3 years, recognizing that there is very substantial mobility in the workforce today and that after 3 years in the workforce for one employer, the employer's share should accrue at that point to the employee. They will be vested. They will have that to take with them as they move on in the workforce.

All in all, the bill will enhance retirement savings efforts of American workers. It is extremely important. Again I commend the sponsors and ask for broad bipartisan support on the House floor today.

Mr. PORTMAN. Mr. Speaker, I yield 3 minutes to the gentleman from Arizona (Mr. HAYWORTH), my friend and colleague on the Committee on Ways and Means, who has been one of the leaders on this, focusing on the importance of this bill to savings and to our economy.

Mr. HAYWORTH. Mr. Speaker, I thank my colleague from Ohio and my colleague from Maryland for once again bringing to the floor of this House landmark legislation. We have been involved and engaged in cheerful persistence, for this marks the sixth time we have brought this legislation to the floor. And each time, Mr. Speaker, we reaffirm the essential common sense of the measure we prepare to pass yet again.

Mr. Speaker, I would ask you to think back to your own experience in terms of saving or preparing for your retirement. Not once on a financial form in planning for my family's future, for my retirement, have I ever been asked to list a political registration. The banks, financial institutions, employers, do not ask whether you are Republican, Democrat, Libertarian, vegetarian, they simply ask you to think about your future.

Now, to return to the political parlance for a second, because I think since this is the people's House and we stand at the bar of public opinion every 2 years, we know in political parlance that we regard a landslide election as procuring 60 percent of the popular vote. Mr. Speaker, I regret to inform this House that the American people are currently on the wrong side of a landslide. Only 40 percent of Americans as baby boomers are taking advantage of retirement savings to avoid a decline in their standard of living once they decide to retire. In other words, 60 percent of the people are not taking advantage of these provisions. With this legislation today, we are asking Americans to choose to save. That is what we do with this legislation.

Mr. Speaker, what we are doing is saying to the American people, here is an enhanced choice for you. We ask you to choose to save. Portability of the accounts; raising the limits, especially for those who will encounter retirement decisions first, for those age 50 and above, no phase-in, immediately raising that limit to $5,000; phasing that in for traditional and Roth IRAs, increasing that through the years; and indexing this for inflation, so that the inflation monster cannot touch retirement savings, taking those realities into account.

And as mentioned by my colleague from North Dakota, the notion of portability. As we have many different freedoms, many different options, as we see people make changes in jobs and in our mobile society and in our fast-changing economy, to have the ability to move this money from job to job and keep it in the same account, portability is key, too.

Choose to save. Vote yes on this legislation.

Mr. CARDIN. Mr. Speaker, I am pleased to yield 6 minutes to the gentleman from Massachusetts (Mr. NEAL), my colleague on the Committee on Ways and Means who has been very active on the pension issues.

Mr. NEAL of Massachusetts. Mr. Speaker, I cannot agree more with the authors of this legislation that our common goal here today is to provide meaningful retirement benefits for all working men and women of this country. Expanded pension coverage and an increased rate of participation in employment-based plans are more important now than ever, given our current savings rate and the imminent retirement of the baby boom generation.

Our current system is built upon the assumption that the minimal level of income provided under Social Security would indeed in the end be supplemented by other sources of income such as an employer-based pension plan as well as personal savings. Thus, it is very important to make sure that the pension reform legislation today includes incentives for all Americans to increase retirement savings.

There are many provisions in this bill that are desirable by increasing benefits and contribution limits for those currently saving the maximum in their current pension plans or for those currently saving in individual retirement accounts. I would remind both sides here today that, with the gentleman from California (Mr. THOMAS), we were responsible for the Roth IRA here in the House of Representatives. But my primary concern with this legislation today is that it does not provide the same opportunity for all Americans to save who are not currently in a retirement system. It could be fixed through the amendment process.

H.R. 10 contains many provisions designed to enhance and expand the portability of pension benefits. The current level of mobility among workers requires a modified approach to our retirement system. The lack of portability can result in workers being shortchanged in pension benefits merely because they change jobs. This bill responds to the need by giving workers greater flexibility to transfer their pension benefits between employer plans or to an IRA. These provisions have been in many bills over the last two sessions of the Congress. They

were strongly backed by myself and members of the Clinton administration.

There are also provisions in this legislation that would enhance benefits for women and we acknowledge that. However, while this bill contains many provisions such as those I have mentioned that are designed to achieve worthy goals, on the whole, the bill is not balanced. Under the bill, high-income workers would receive very generous benefits with no corresponding meaningful direct incentives to expand and increase retirement savings for low- and moderate-income workers.

□ 1300

One analysis of this bill showed that workers earning less than $41,000, the bottom 60 percent of the American workforce, would receive, listen to this, 4.3 percent of the benefits; and the top 5 percent of American workers with incomes of more than $134,000 would receive, and listen to this number, 42.4 percent of the benefits.

I do not oppose increasing retirement savings for workers at the top of the income scale, but I am concerned that the workers who are most in need of our assistance today in saving for retirement are being excluded from our efforts here.

In its current form, the legislation would fail to provide a secure and adequate retirement for all Americans. The retirement savings account proposal that will be offered later today as an addition to this bill would provide the balance that is necessary for a successful accomplishment of our shared goal, which is a secure retirement for all workers.

The RSA proposal builds on our current system by providing an incentive for low- and middle-income workers to participate in an employment-based retirement system. Under the proposal, the worker would receive an annual credit of up to $1,000 for contributions made to an individual retirement account or an employer-based pension plan.

In addition, this bill must do more to provide direct incentives for small businesses to establish and administer pension plans.

In a recent Small Employer Retirement survey conducted by the Employee Benefit Research Institute, 65 percent of small employers stated that tax credits for starting a pension plan would be a major contributing factor for them to establish a pension plan for their employees. This factor was second only to an increase in business profits.

With this compelling evidence, I would like to encourage my colleagues here today to seriously consider another amendment that will be offered later on as well that would include two tax credits as an incentive for small employers to offer pension plans to their employees and to make contributions to those plans on behalf of their employees.

The gentleman from Ohio (Mr. PORTMAN) has been more than kind and more than receptive to that notion. Why we cannot do it today, I do not understand it. This bill could pass this House today 435 to 0 if those incentives were simply offered, which I have been assured they are going to be offered when the Senate brings back its version. I hope at that time we will have an opportunity for this bill to pass almost or nearly unanimously.

I would be remiss if I did not mention the additional controversies with provisions underlying this bill. Last year, the Department of Treasury and outside groups argued strongly that some of the provisions of this bill could actually lead to a shrinking of pension coverage for low- and moderate-income workers. They cited most often changes in top heavy rules and nondiscrimination rules which are designed to protect non-key employees by making sure that they get a minimum amount of the benefit from an employer's pension plan.

Now I know the authors of this bill believe the opposite; but a blend of my tax credit proposal, along with the efforts that they have made here today, could secure truly one of the great feats of this Congress; and I expect when it comes back from the Senate that provision will be included and we will have an opportunity, as I indicated earlier, to nearly unanimously pass this very important legislation with some technical corrections.

Mr. PORTMAN. Mr. Speaker, I yield myself 30 seconds just for a quick response to my friend and colleague, the gentleman from Massachusetts (Mr. NEAL). He, in a good faith effort, is trying to expand the opportunities for low- and middle-income workers, and I commend him for that. I also appreciate the kind words he says about the underlying bill, but I cannot let one thing stand and I am disappointed that he has raised it and I just want to get this out because we are going to hear a lot more about it in the Democrat substitute, it sounds like. He uses an outside group that opposes not only this bill but all tax relief that we have tried to do, that people that are making $41,000 or less are only going to get 4.3 percent of the benefits. There is no way, no way, that he could know that; and I am just disappointed that we are getting into that because this is going to help all Americans, including those making less than $41,000.

Mr. Speaker, I yield 3 minutes to my colleague, the gentleman from Pennsylvania (Mr. ENGLISH); and I appreciate his help on this legislation, particularly on some provisions that help with regard to labor union members.

Mr. ENGLISH. Mr. Speaker, I thank the gentleman from Ohio (Mr. PORTMAN) for yielding me this time.

Mr. Speaker, in the last 40 years, Americans have gone from saving 6.2 percent of their disposable personal income to saving less than .1 percent. In fact, Americans lag behind Canada, Germany, and Japan by as much as 4 percent when it comes to our national savings rate.

The rate of decline in national savings is greater in the United States than in most of the industrialized world. Today, as a result, we import capital into our country to finance our improving standard of living. In my view, addressing this problem is as important to our national economic future as addressing our reliance on foreign oil. We need to end our dependence on imported capital, and this landmark legislation will address that problem by allowing families to increase their retirement savings.

H.R. 10 will increase the national savings rate, increase our national prosperity, and provide for a stable retirement for millions of working families through better access to pension plans and expanded IRAs. The Comprehensive Retirement Security and Pension Reform Act provides individuals with a variety of retirement savings incentives, such as lifting limits to IRA and 401(k) plans. These limits are currently stuck at 1980 levels. Baby boomers who are discovering that their retirement is severely underfunded because they stopped working to raise a family can catch up under this plan through higher contribution limits.

In addition, I am particularly pleased to see that this bill addresses the unintended consequences of section 415. Currently, section 415 seriously hampers the ability of America's workers, not the wealthy but rank and file workers, to collect their full pension amounts which they have earned. Reducing the pensions of workers who retire before normal Social Security retirement age has caused enormous financial hardship for many workers in places like western Pennsylvania. Thousands of retiring workers have carefully saved and planned for their retirement, and they are relying on their private pension funds. This legislation will allow them to have the full benefit of the pension that they themselves worked so hard to build.

I urge my colleagues to support this landmark legislation.

Mr. CARDIN. Mr. Speaker, I yield myself 30 seconds to clarify a point on the Democratic substitute. I am pleased that it adds to the underlying bill. It accepts the fact that the underlying bill is very important and tries to improve upon it. I just want to make it clear that nothing in the Democratic substitute would distract or take away from the underlying Portman-Cardin legislation.

Mr. Speaker, I yield 3 minutes to the gentleman from Wisconsin (Mr. KLECZKA), a distinguished member of the Committee on Ways and Means and one of those individuals who has also been involved in helping us formulate the underlying legislation.

Mr. KLECZKA. Mr. Speaker, over the next 40 years, the percentage of the U.S. population over 65 will almost double. Unfortunately, at a time when more and more people should be putting money away for their retirement, personal savings are at historically

low levels. Twenty years ago, Americans saved at a rate of about 10 percent, but by last year that rate had plummeted to one-tenth of 1 percent. Americans must become more proactive in saving and planning for their retirement, and the bill before us today provides the incentives to do so.

Retirement security has often been described as being like a three-legged stool because people depend on three means of savings for their retirement: one is Social Security; one is personal savings; and another one, a very important one, is employer-provided pensions.

H.R. 10 makes great strides in strengthening the footing for the last two of those legs.

One of the most important adjustments this bill makes will be to increase the current limit on annual individual retirement account contributions from $2,000 to $5,000 per year. IRAs are one of the principal instruments used for savings, and this increase will make them a much more valuable tool in retirement planning.

It has been almost 20 years since the retirement cap was raised, so an adjustment today is long overdue. To make sure that the benefits of IRAs continue to keep pace with the times, this bill will adjust the cap annually to reflect the effects of inflation.

Regarding employer-provided pensions, the bill allows for faster investing so that workers will become eligible for employer-matching contributions to their pension plans in 3 years rather than the current 5. It also breaks down the barriers between private sector 401(k) plans, nonprofit employer 403(b) plans, and local government 457 plans, allowing workers to roll over funds in their pension plans when they move from one job to another.

The bill includes catch-up provisions that allow workers 50 years of age and older to save even more for their retirement needs by allowing them to increase by $5,000 the limits on all employee pension contributions. H.R. 10 also streamlines rules and regulations to make it easier for businesses, particularly small businesses, to offer pension plans by eliminating the user fees imposed by the IRS on businesses when they set up a pension plan.

It would also ensure that these higher contributions to the pension plans may be deducted by employers.

Mr. Speaker, this legislation will help provide the peace of mind that Americans deserve in their retirement years. I urge my colleagues to support this measure.

In closing, let me applaud the efforts of the gentleman from Maryland (Mr. CARDIN) and also the gentleman from Ohio (Mr. PORTMAN) and thank them for including the changes in section 415, which increases the pension benefits for working men and women. Again, I urge my colleagues to support this bill.

Mr. PORTMAN. Mr. Speaker, I yield 2 minutes to the gentleman from Wisconsin (Mr. RYAN), my friend on the Committee on Ways and Means, who has been a leader on the 415 provisions in this bill and also in focusing on the savings incentives in the legislation.

Mr. RYAN of Wisconsin. Mr. Speaker, I thank the gentleman from Ohio (Mr. PORTMAN) for yielding me this time.

Mr. Speaker, I would like to right now just thank the gentleman from Maryland (Mr. CARDIN) and the gentleman from Ohio (Mr. PORTMAN) for putting this excellent piece of legislation together. Specifically, I want to thank them for including that section 415 provision. This affects thousands of building trades workers in southern Wisconsin who because of this law are going to have a better pension system that they deserve, that they paid into. So I want to thank them for including this very valuable provision.

There is another important part of this, and that is times have changed. When our pension laws were written a generation ago, it was a different kind of an economy. People had the same job for 30 or 40 years of their working lives. They did not move from jobs, but that is not the case today. People change jobs all of the time, but the problem is our economy and our pension laws have not caught up with those times.

This important piece of legislation catches up with the times and allows pensions to become portable so as people change jobs they can bring their pensions with them without an adverse consequence on the Tax Code; and most importantly, this thing does great things in two great ways for our society. It allows people to save for their retirement, improve the savings rate, so they can maintain the kind of standard of living they enjoyed during their working years in their retirement years. Again, by saving, by putting more money aside, we are putting more money into the economy. We are improving the liquidity of capital for small businesses, for job creation, for entrepreneurial activity.

So when we increase our savings rate, not only do we help the actual person who is saving in their retirement, we are helping the ability to create jobs in this country. We are sparking economic growth in job creation. So this bill not only fixes many problems that are facing building tradesmen, people who are just nearing retirement, women in the labor force, it is updating our pension laws so they respond to the types of jobs we have in today's economy. It is improving people's standard of living, and it is helping grow the economy and produce jobs in the economy.

This bill is clearly a win/win for America. That is why it received such bipartisan support. I urge my colleagues to vote yes on this bill.

Mr. CARDIN. Mr. Speaker, I yield 2 minutes to the gentleman from New York (Mr. CROWLEY).

Mr. CROWLEY. Mr. Speaker, I rise in strong support of H.R. 10, the Comprehensive Retirement Security and Pension Reform Act, introduced by the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN). I want to thank both gentlemen for all their hard work in getting this bill to the floor today.

This legislation provides portability between the employer-sponsored plans, a key component of any provision security reform, as we are in an era where Americans are no longer expected to work for one company until retirement but, rather, many employers and many corporations over a period of a lifetime.

□ 1315

This bill also provides incentives to retirement savings by increasing the IRA contribution limit from the present $2,000 to $5,000, and expanding eligibility for deductible IRAs.

Most importantly in this ever-changing workforce, this bill contains vital catch-up provisions to encourage both older workers and women workers to increase their retirement savings to make up for missed contribution opportunities. This is key for women, as many of them have previously left the workforce for the time being, quite often to raise a family, and now will no longer be blocked from providing for herself or her family's retirement security.

This is solid legislation that will help all Americans who plan ahead for their retirement, and I urge all of my colleagues to support this critical, critical piece of legislation.

Once again, I wanted to thank both gentlemen for getting this bill to the floor today.

Mr. PORTMAN. Mr. Speaker, I yield 3 minutes to the gentlewoman from Washington (Ms. DUNN) a member of the Committee on Ways and Committee, who has taken a leadership role in assuring there is a catch-up contribution, both on the pension side and on the IRA contributions.

Ms. DUNN. Mr. Speaker, I rise today in support of H.R. 10. I think this is a fabulous bill, and I commend the gentleman from Maryland (Mr. CARDIN) and the gentleman from Ohio (Mr. PORTMAN) for the great work they did in bringing us together and consulting with us and allowing us to make our opinions heard.

I think it does some very, very fine things, but I am particularly enthusiastic about the very explicit focus that this bill has taken on the sometimes unique needs of the American working woman.

This bill will enable women to devote more money to retirement savings, accumulate assets more quickly, and it will enable them to keep their benefits in one retirement plan when they change jobs. So it is going to let women have a much better sense of peace of mind as they move toward retirement, and I think it will make them feel also that they are more fully participating in planning for that time, to make it a very happy time and a secure time.

As we have heard from many previous speakers, women choose to leave the workforce for many reasons, including to raise a family or to take care of their loved ones. I left the workforce for 8 years to raise my little children. I was a lucky person. When I came back in, I would have appreciated the opportunity that this bill provides to catch up with the losses sustained during those years to my IRA.

Women are often unable to take full advantage, for that reason, of employer-sponsored pension plans as well. H.R. 10 helps women make catch-up contributions to their pension plans.

Right now, for example, you are able to contribute $2,000 each year to an IRA. This bill says that if you are over 50 years old, a man or a woman, but specifically interesting more, I think, to women, you can begin to contribute up to $5,000. That is $3,000 additional dollars each year you can put away in your IRA. Also when it comes to the employee pension plan, a 401(k) or a thrift savings plan, women like me can begin, as soon as this bill is signed, to contribute $5,000 more every single year into their pension plan.

Current law also makes it very difficult to consolidate retirement funds from different plans into one plan. Removing these restrictions is very important, considering the fluid employment situation in America today. This is especially true for working women who change jobs more frequently than men do. The portability provisions in H.R. 10 will ensure that retirement benefits follow the employee as the employee changes jobs.

H.R. 10, Mr. Speaker, is a very well-crafted bill. It has strong bipartisan support, and I am among the many who urge my colleagues to support this bill.

Mr. CARDIN. Mr. Speaker, I am pleased to yield 2 minutes to the gentlewoman from California (Ms. ESHOO).

Ms. ESHOO. Mr. Speaker, thanks and congratulations, first, to the two major sponsors of this bill, the gentleman from Maryland (Mr. CARDIN) and the gentleman from Ohio (Mr. PORTMAN). I think the quality of this bill and the amount of support that it enjoys today really speaks to the eloquence of their work.

We come to the floor every day to cast votes. Sometimes we hold our noses over what we have to vote for; other times we say, if I had designed this, it would be so much better.

This is a very, very good bill, it is a sound bill, and I cannot help but think of FDR's quote that ''True individual freedom cannot exist without economic security and independence.'' I think that those are the two things that this bill provides for millions of workers in our country by making retirement security more available to them.

Our savings rate in our country is at an historically low level, and this is a critically important piece of legislation to advance people's being able to save and encouraging them to.

It also addresses the needs of an increasingly mobile workforce. The average worker today will hold nine jobs by the age of 32, and workers typically do not stay in any job for more than 5 years until they are 40 years old. So portability and being able to accumulate benefits and then move it from job to job, I think is essential.

So, Mr. Speaker, I am proud to support this legislation. I think it is not only good for my constituents, I think it is good for all of the people of this country; and I think the Congress will take a very important step by establishing better pension funds for employees, helping employers to do that, and by the IRA contribution being raised.

So I ask my colleagues to join me and many others in the House on a bipartisan basis to support this bill, pass it, and help it become law. It is going to make our country better and stronger.

Mr. PORTMAN. Mr. Speaker, I yield 2 minutes to the gentleman from Illinois (Mr. WELLER), a member of the Committee on Ways and Means, who has played a leadership role on the catch-up contributions and the 415 provisions.

(Mr. WELLER asked and was given permission to revise and extend his remarks.)

Mr. WELLER. Mr. Speaker, this is a great day. We are doing something, and the question to ask as we work on this legislation is, is it not about time?

If you think about it, I think this is the third or the fourth time we have passed this legislation out of the House, and we finally have a President now that will sign it into law. It has been a bipartisan effort over the last several years. My friends, the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN) have done a great job working with the committee and showing leadership in assembling a great package that will help millions of middle-class Americans and families save for their retirement.

I think it is a tremendous achievement, recognizing that when individual retirement accounts were created way back in the early 1980s, that the limit was set at $2,000. If you factor in inflation, it should be well over $5,000 today. We accomplish that goal by phasing in an increase in the contribution level for IRAs to $5,000.

There are two other provisions that I want to highlight, and I really want to commend the leadership on our committee for including these two provisions in this package. Those are provisions that deal with catch-up provisions, which will help working moms and empty-nesters, as well as the 415 provisions, which will help 10 million building tradesmen and women across America.

Let me point out, the catch-up provisions, why are they important? I always use my sister Pat as an example. She is now teaching school, but when her children, when she and Rich decided to have kids, she took some time out of the workforce to be home with the children; and then once the kids were in school, she went back into the workforce. During that period of time, my sister Pat and my brother-in-law Rich, they were not able to make contributions to their IRAs because their income was essentially cut in half and their expenses were up because they had children.

Under this legislation, once they turn 50 they can make an extra contribution, which they are, they can make an extra contribution to their 401(k) of $5,000, and we immediately allow, once this legislation is signed into law, someone age 50 or older to contribute up to $5,000, recognizing the $5,000 increase is phased in over 3 years. So if you are age 50, you benefit immediately, allowing you the opportunity to make up.

The 415 provision, people like Larry Correl, a laborer from La Salle County, will now see his full pension as a result of this legislation.

Mr. CARDIN. Mr. Speaker, I am now pleased to yield 1½ minutes to the gentleman from Texas (Mr. BENTSEN), the sponsor of many of the provisions in the bill that deal with small business.

Mr. BENTSEN. Mr. Speaker, I thank the gentleman for yielding me time.

I rise in strong support of the bill, H.R. 10. I want to commend the gentleman from Ohio and the gentleman from Maryland for bringing up this bill.

This bill may not be the most politically salable of all the tax bills we are considering this year, but it is, in my opinion, probably the most economically correct bill, because it deals more with savings than consumption. I think this bill arguably will have the broadest long-term impact on our general economy by increasing the savings rates, as well as putting more money into investment in the economy.

A lot has been said about the underlying bill. I want to thank both the gentlemen for including provisions from H.R. 738, which the gentleman from Missouri (Mr. BLUNT) and I introduced, that would ease the restrictions on small employers, employers of 100 or fewer employees, who, statistics show, are the least likely to have a pension program or retirement program. This bill would go a long way toward making that better.

I also want to commend my colleagues for the amendment that will be offered by the gentleman from Massachusetts (Mr. NEAL) and others that would provide a tax credit for small employers who want to set up a pension program for their employees. I would encourage the House to adopt that, and to adopt the idea of providing credits to low-income individuals so that they can save as well.

We should not leave out any sector in society that we want to save. As the gentleman from Illinois who just spoke said, we do have situations where working families do not have the disposable income to set aside in these

programs. If we pass the Neal amendment, we can make this good bill an even better bill.

Mr. CARDIN. Mr. Speaker, I am pleased to yield 1½ minutes to the gentleman from Texas (Mr. GREEN).

Mr. GREEN of Texas. Mr. Speaker, I am glad to follow my colleague from Texas. With a Texan in the chair, I hope we are not overdoing it today on this bill.

Mr. Speaker, I rise in support of H.R. 10, the Comprehensive Retirement Security and Pension Reform Act, and congratulate our sponsors for their persistence in this effort, not only this year, but last year.

Mr. Speaker, the private pension plans are crucial to the retirement security of millions of Americans, and yet only half of our private sector employees have any kind of pension, and only 20 percent of the small businesses offer their employees retirement benefits.

Currently, Americans save only 4 percent of our income, the smallest amount among industrial nations. If this trend continues, young Americans will be ill-prepared for their retirement years. That is why it is important that our current system not only does not reward enough to encourage savings; it is in dire need of reform.

The legislation we are considering today makes a number of important changes and encourages individuals to save for their retirement. We all know that saving $2,000 a year for your IRA is not enough. It raises it to $5,000. It raises the 401(k) limit to $15,000.

It also addresses the needs of older workers, allowing people 50 years or older to make that annual catch-up, $5,000, for years that they could not do it. It helps, particularly the provision for women who have left the workforce and then come back, to be able to catch up on their retirement effort. There are a number of important components.

Of course, the bill is not perfect and there are things we could do, particularly for lower-wage workers, and I know there is an amendment, the Rangel-Neal substitute, that will add that. I encourage folks not only to vote for that substitute, but ultimately, the bill, Mr. Speaker.

Mr. PORTMAN. Mr. Speaker, I yield 1 minute to the gentlewoman from Maryland (Mrs. MORELLA), for the purpose of entering into a colloquy.

Mrs. MORELLA. Mr. Speaker, I thank the gentleman for yielding. I am proud to be a cosponsor of this bill.

I just wanted to make sure that the revenue estimate of this bill assumes that the Federal Employees Thrift Savings Plan will permit catch-up contributions. By that that I mean, any revenue loss associated with such contributions would be accounted for and is in the cost of this bill.

Mr. PORTMAN. Mr. Speaker, will the gentlewoman yield?

Mrs. MORELLA. I yield to the gentleman from Ohio.

Mr. PORTMAN. Mr. Speaker, first I want to thank the gentlewoman from Maryland (Mrs. MORELLA) for her help in putting this bill together and being sure that Federal employees are covered.

Yes, the answer is, the catch-up contributions in this bill lists types of plans to which the provision applies. Included on that list is a trust described in the code under section 401(a). Under an existing section of that code, section 7701(j), the Thrift Savings Plan fund is created as a trust described in that code section 401(a). Therefore, the catch-up contributions do apply to the Thrift Savings Plan in the same manner as it would apply to a 401(k) plan.

Mrs. MORELLA. Mr. Speaker, reclaiming my time, I thank the gentleman from Ohio for the assurance that he has just given us.

I also want to congratulate him and his coauthor, the gentleman from Maryland (Mr. CARDIN), for putting this great bill together.

□ 1330

Mr. PORTMAN. Mr. Speaker, I yield 45 seconds to the gentlewoman from New York (Mrs. KELLY).

Mrs. KELLY. Mr. Speaker, I rise for the purpose of entering into a colloquy with my friend, the gentleman from Ohio.

I am grateful for the hard work my colleagues on the Committee on Ways and Means have done in putting together a strong package of tax relief to ensure the retirement security for working Americans. Unfortunately, I have been contacted by my constituents who are concerned about potential interpretations of sections 405, 501, and 801 of H.R. 10. They fear they could negatively affect pension benefits.

I would like to get assurances that these sections I have mentioned are not intended to harm participants. It is my understanding that these sections are not intended to reduce pension benefits, eliminate early retirement benefits, retirement-type subsidies, or optional forms of benefits, or discourage companies from increasing pension benefits.

Mr. PORTMAN. Mr. Speaker, will the gentlewoman yield?

Mrs. KELLY. I yield to the gentleman from Ohio.

Mr. PORTMAN. I would say to my friend, the gentlewoman from New York, Mr. Speaker, she is absolutely right. Her understanding is correct.

In fact, just the opposite of the concerns she expressed are intended. We have, in fact, made several adjustments in the language to ensure that these provisions will achieve their intended effect, which is, of course, to expand pension coverage and protections for American workers.

I thank the gentlewoman for her help on this bill and for helping us to refine it.

Mr. CARDIN. Mr. Speaker, I yield myself the balance of our time.

The SPEAKER pro tempore (Mr. THORNBERRY). The gentleman from Maryland (Mr. CARDIN) is recognized for 1½ minutes.

Mr. CARDIN. Mr. Speaker, as the general debate has indicated, there is strong support for this legislation. I thank my colleagues who have come to the floor to express their views on this legislation. It is clear that it will help American workers, it will help people save for their own retirement.

Let me just point out the Congressional Research Service on November 6 pointed out that if employers offer plans, workers at all income levels participate and benefit. Eighty-five percent of the workers earning less than $40,000 will participate in the plans, and 68 percent of the workers earning less than $20,000.

This bill will make it easier for companies to provide pension plans, and more workers at all levels will participate.

I again want to thank the gentleman from Ohio (Mr. PORTMAN) for his work. On my side of the aisle, I want to thank the gentleman from New Jersey (Mr. ANDREWS), the gentleman from North Dakota (Mr. POMEROY), and the gentleman from Texas (Mr. BENTSEN) for their contributions to the legislation that is before us.

Lastly, let me thank my staff person, David Koshgarian, for all the work that he put in.

Mr. Speaker, I yield back the balance of my time.

Mr. PORTMAN. Mr. Speaker, I yield the balance of my time to the gentleman from Illinois (Mr. CRANE), senior Republican on the committee, who was very helpful in putting on this legislation.

The SPEAKER pro tempore. The gentleman from Illinois (Mr. CRANE) is recognized for 1¾ minutes.

Mr. CRANE. Mr. Speaker, I thank my friend for yielding time to me, and I rise in support of the Comprehensive Retirement Security and Pension Reform Act of 2001.

In a voluntary, employer-sponsored pension system, businesses must be given incentives to start, maintain, and expand their plans. H.R. 10 dramatically increases contribution and benefit levels available under these private plans. However, to take advantage of these increased levels, key decision-makers will have to establish a qualified retirement plan or make benefit improvements in their existing plan.

Likewise, we should not create disincentives that might bar an employer from establishing a pension plan. Toward this end, the Committee on Ways and Means in this legislation has called for further study into the issue of whether our tax laws create disincentives for pension plan funding by employers who are experiencing economic hardships.

Specifically, H.R. 10 would require the General Accounting Office to consider whether pension funding would be enhanced if section 172(f) of the Internal Revenue Code were modified to list payments to defined benefit plans as an

item for which 10-year specified liability loss carrybacks may be available.

The committee's call for this study arose out of a concern that restrictions under section 172(f) imposed by Congress in 1998 may have inadvertently undercut the goal of secure pension funding.

Following the 1998 change, I am concerned that taxpayers experiencing financial losses are not able to carry back pension contributions under section 172(f). As a result, such taxpayers are subject to a higher after-tax cost of maintaining pension funding levels. This could jeopardize the employer's ability to meet future funding obligations, and act as a disincentive to making contributions beyond the minimum requirements.

I look forward to the GAO report. Ultimately, I am hopeful we will consider enactment of legislation restoring pension contributions as an item eligible for a 10-year carryback under section 172(f). The GAO's findings will help us to weigh the merits of such legislation.

I congratulate my colleagues, the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN), on this outstanding bill and look forward to seeing it signed into law.

Mr. FRELINGHUYSEN. Mr. Speaker, today I rise in support of H.R. 10, the Comprehensive Retirement Security and Pension Reform Act of 2001. This legislation will help millions of working Americans plan for a secure retirement by giving them the ability and incentive to save during their working years. It will also allow many small businesses the opportunity to provide pension coverage for their employees.

A main component of H.R. 10 will raise the contribution limit for both traditional and Roth Individual Retirement Accounts (IRA's) from $2,000 to $5,000. This even includes a ''catch-up'' provision allowing workers age 50 and older to make an immediate contribution of up to $5,000 to their IRA's. This provision is helpful to Older Americans who may not have had the opportunity to contribute to a retirement savings plan in their earlier working years and especially critical to women who enter the workforce later in life.

Second, this bill provides portability for individuals with 401k-type plans. As you know, in today's changing economy, statistics show that an average worker does not stay in one job for more than five years. To accommodate the needs of a growing mobile workforce, H.R. 10 will allow workers to change jobs without fear of losing their accumulated retirement savings. In addition, workers will also be able to become vested in a pension plan in 3 years instead of the current 5.

Finally, this legislation removes many of the burdensome regulations and administrative costs, such as an IRS ''user fee,'' which in many cases prevent small businesses from offering employer pension plans. This freedom and flexibility will not only allow small businesses to provide a pension plan, but just as important, gives an incentive for employees to stay in the workforce and make important contributions to company growth and productivity.

Mr. Speaker, today's vote is important because it reaffirms our bipartisan commitment to providing a safe and secure retirement for generations of Americans. We have already stopped the ''raid'' on Social Security and locked away the $2.6 trillion Social Security surplus from other government spending. Now, we are helping American families and individuals, especially the seventy million Americans who do not have a retirement savings plan or pension, with incentives to take that extra step in making critical, short-term investments in retirement savings. People will now be able to fulfill and enjoy their long-term hopes and dreams during their retirement years.

Mr. BLUMENAUER. Mr. Speaker, I rise today to support both H.R. 10 and the substitute amendment. I am gratified to see this bipartisan legislation improving pension and retirement savings vehicles has been brought before the House of Representatives for consideration.

I am especially pleased with one provision that I have been working to change since coming to Congress: Section 415. The current statutes establish arbitrary and punitive levels on working people by not allowing those who are covered by pension programs to collect the full benefits they have accrued. This is wrong and H.R. 10 will fix this inequity and allow all hard working citizens to collect their full pension.

Both H.R. 10 and the substitute deal with the 100 percent of compensation problem, which speaks to the disparity lower-paid employees face when they do not get the pension they should because programs are based on years of service, rather than salary amounts.

Those who retire early due to the difficult and often physical nature of their work currently are not allowed to withdraw the full amount of their pension. This legislation would address that problem.

These are important issues and the legislation is long overdue.

Mr. GRAVES. Mr. Speaker, I rise today in strong support of the Comprehensive Retirement Security and Pension Reform Act. Seventy million Americans do not have a 401(k)-type plan or any kind of pension—roughly half the workforce. In fact, the problem is worse among small businesses—less than 20 percent of small businesses with 25 or fewer employees offer any kind of pension coverage today. Mr. Speaker, it is time we make retirement security a reality for more Americans.

The Comprehensive Retirement Security and Pension Reform Act modernizes pension laws, provides regulatory relief to encourage more small businesses to offer retirement plans and allows Americans to set more aside in an IRA or 401(k)-type plan. In addition, this plan expands opportunities for women to place retirement savings in IRAs when they take time away from the work place, opens the door for women to make catch-up contributions to IRAs later in life when they are likely to earn more money, and increases the overall amount they can contribute to their retirement savings.

I am pleased to vote today to pass this fair, balanced and bipartisan plan to strengthen the economy, increase savings and investment, and provide a more secure retirement for all Americans.

Mr. UDALL of Colorado. Mr. Speaker, Mr. Speaker, I rise in support of H.R. 10, the Comprehensive Retirement Security and Pension Reform Act of 2001.

H.R. 10 increases the maximum amount that can be contributed annually to both traditional Individual Retirement Accounts and Roth IRAs from the current $2,000 to $5,000 over the next three years. In addition, the bill increases the limits on annual contributions to 401(k) and other defined contribution plans from the current $10,000 to $15,000 over five years. Workers who are 50 or older the bill would allow additional annual contributions of up to $5,000 to both IRAs and 401(k) plans. This provision is particularly important for women who may have entered and left the workforce during their careers to respond to the needs of their families.

This bill does more than just raise contribution limits. H.R. 10 accelerates vesting of employer matching contributions to defined contribution plans from five years to three years, and increases the portability of account balances in pension plans when workers change jobs.

While H.R. 10 is a good step forward, it is important to note that only half of our workforce is covered by any type of pension plan. Of those workers who are covered by a pension plan, only about one-quarter of low- and moderate-income workers actually participate in them.

As a member of the House Small Business Committee, I am committed to helping small businesses provide pension plans that help lower- and moderate-income workers save for retirement. That is why I support the Rangel-Neal-Andrews-Tierney amendment to add three small business tax credits to H.R. 10.

The first provision in the Rangel-Neal-Andrews-Tierney amendment is a refundable tax credit of up to 50 percent of an employee's contribution to a traditional IRA or employer-sponsored plan up to a maximum credit of $1,000 per year. This credit would be available for people earning at least $5,000 and would phase-out as income increases from $25,000 to $75,000 for married couples and $12,500 to $37,500 for single people. The second tax credit is to encourage employers that do not currently have pension plans to start one. Employers of fewer than 100 people could receive a tax credit of 50 percent of contributions up to 3 percent of payroll for the first three years they have a plan. The final tax credit in the Rangel-Neal-Andrews-Tierney amendment will be available for three years to help small employers with the initial administrative costs for setting up a plan.

Mr. COYNE. Mr. Speaker, I rise in support of H.R. 10. but, at the same time, I rise to emphasize that important work still needs to be done, that this is only the beginning, to improve the retirement opportunities of those citizens for whom this bill will have limited benefit at best.

For many years, we have attempted to address the issue of pension reform. In doing so, we have learned that this is, in reality, not a simple, single issue, but a set of issues as complex as they are broad. The challenge for us is to determine what aspects of the pension system are most in need of legislative remedy, then to direct our energies toward creating the best solutions. Often we have found that our efforts can lead to competing, contradictory results.

I believe that this bill is a worthwhile beginning to addressing the many gaps and shortfalls in pension coverage. I especially commend the section 415 changes, which will alleviate the restrictive rules for our many citizens who are covered by multiemployer plans.

However, I think that incentives beyond the expansion of contribution limits are needed to help employees to fund their retirement accounts and to assist small business owners to start pension plans for themselves and their employees.

We have an obligation to all Americans to craft legislation that reaches down to everyone in its support of pension income enhancement. The two amendments offered by the Democrats do just that.

The first amendment would help those with little or no retirement savings, who cannot begin to contemplate making contributions in the amounts addressed in this bill. It would provide a refundable tax credit on contributions made to traditional savings plans and IRA's. I support such a program.

The second amendment would assist those small business owners wishing to offer pension coverage, and their employees who desperately need it. It would provide a tax credit for pension plan start-up costs and contributions. Recent data shows only 42 percent of full-time employees in businesses with fewer than 100 employees participated in an employer-sponsored pension or retirement savings plans. Small businesses are a vital part of our economy; they deserve our help.

When the Committee on Ways and Means next takes up the pension issue, and we need to do so this year, we must address the following important areas: (1) the expansion of pension coverage to workers without pensions; (2) the expansion of coverage for low-wage workers; (3) the expansion of coverage for part-time workers; (4) the improvement of pension coverage for women; (5) the improvement of vesting and portability for workers who change jobs; and (6) the improvement of available information about retirement planning and pension choices.

Research has shown that part-time and lower-income workers are much less likely than full-time and more highly paid workers to be participants in pension or retirement savings plans. We must direct our focus to those workers who toil at the margins of pension coverage.

The lack of pension coverage is a particular problem for women, whose circumstances are often made worse by years spent out of the workforce tending to family responsibilities. No pension legislation can be considered complete without a targeted effort to help women secure the pension benefits which all manner of their contributions have earned for them.

And, we must assure that all workers are offered the information needed to understand their pension and retirement savings plans, and the choices inherent in those plans.

Mr. Speaker, this bill, which I support today, is a starting point to improve the pension system that we already have. I now would urge my colleagues to work together to develop the pension system that we need, one that will provide a dignified retirement for all workers, regardless of their income or career paths.

Mr. STARK. Mr. Speaker, half of the American workforce lacks pension coverage. The majority of those who lack pension coverage are low- to moderate-income workers and employees in small businesses. Therefore, pension reform should be aimed at providing coverage for those who currently lack it. Any pension reform package should be judged primarily in terms of how much additional coverage for moderate and low-income workers the legislation provides and at what cost in terms of lost revenue. The biggest problem with the overall bill is that the bulk of it is spent to help relatively few workers who already have pensions and save for retirement. The biggest potential problem with the bill is that it could actually provide a disincentive for small business owners to provide any pension coverage at all.

Increasing the IRA contribution limits to $5,000 is likely to hurt some low and mid-income workers by inducing small businesses not to offer an employer-sponsored pension plan. Under H.R. 10, the small business owner will be able to contribute $10,000 to an IRA combined for himself and his spouse. This additional contribution may be sufficient enough for the owner's retirement savings that he may not perceive a need, nor want to incur the cost, to set-up an employer-sponsored pension plan.

Over three-fourths of the pension and IRA tax benefits in H.R. 10 would accrue to the 20 percent of Americans with the highest incomes. In addition to increasing IRA contribution limits, this bill helps executives and those employees who already earn the most lucrative salaries and already contribute to some type of tax-preferred retirement plan. The bill increases the $135,000 annual benefit limit for defined benefit plans to $160,000. Clearly this only helps those who currently earn the maximum defined benefit plan limit of $135,000. The rank and file workers don't earn pension benefits in excess of $135,000 so they don't need an increase on the annual limit on defined benefit plans. This is exclusively designed for those at the top.

Currently, there is an employee limit of $10,500 on deposits to 401(k)s, and the combined employer-employee contribution may not exceed the lesser of $30,000 or 25 percent of pay. The bill before us raises the maximum combined contribution to $40,000 and eliminates the requirement that it not exceed 25 percent of pay. This is yet another example of a provision that is purely intended for high-income workers who already contribute greatly to their pensions.

Under current law, tax-preferred pension plans must not discriminate in favor of highly compensated employees. For example, employers must not discriminate between executives and the rank-and-file workers in the formulas used to calculate employer contributions. This ensures that tax preferences for pension plans serve the public purpose of boosting pensions among a wide array of workers. Instead of strengthening these rules, the pension reform bill loosens the nondiscrimination rules.

The bill also seeks to relax the ''top heavy'' protections that serve a similar purpose in ensuring that the pension wealth is not concentrated amongst the top tier income-earners. These safeguards apply to plans in which 60 percent or more of the pension contributions or benefits accrue to company officers and owners (''key'' employees). The protections require firms to take additional steps to protect the rank-and-file workers through accelerated vesting and certain minimum contributions or benefits than would otherwise be required under the general rules. H.R. 10 relaxes these safeguards to the detriment of employees working for these firms.

There are a few relatively miniscule provisions that would actually be good policy changes for a broad range of workers if they were pulled out from the bill and addressed in separate legislation.

The legislation would allow rollovers across defined contribution plan types so that, for example, 401(k) assets could be rolled over into 403(b) accounts. This will allow employees to move from public, private and non-profit jobs with fewer pension constraints. This amounts to .004 percent of the bill's total cost. The legislation also allows for faster vesting under employer-matching contribution plans. The bill accelerates the schedule for cliff vesting from 5 years to 3 years, and from 7 years to 6 years under graded vesting, reflecting the shorter commitments employees make to any one employer. This provision has a negligible revenue effect.

Section 415(b), Multi-Employer Pensions limits are increased allowing those in the construction industry to earn the pensions negotiated for in their contracts. Although this provision may only effect a small group of workers, it accounts for just one percent of the overall bill. It is unfortunate that a little over 1 percent of today's bill actually provides for sound policy changes to help those who really need it.

This bill does nothing to induce those who currently don't save for retirement to do so, and it gives those who do save more ways to shift funds. The Washington Post Editorial Department recognizes this fact, and I would like to submit the following Op-Ed for the RECORD.

I urge my colleagues to vote no on H.R. 10.

[From the Washington Post, Apr. 29, 2001]

A MISERABLE PENSION BILL

The House Ways and Means Committee has approved still another tax cut bill, the third this year. Unlike the first two, this one is relatively small, was not proposed by President Bush and has strong bipartisan support. The House is expected to pass it overwhelmingly this week. But that's unfortunate, because the bill would not produce the healthy result its sponsors suggest.

The bill, whose principal sponsors are Reps. Rob Portman and Benjamin Cardin, is presented as a way of increasing the retirement savings of the middle class. But in fact the tax savings, an estimated $52 billion over 10 years—would go mainly to people whose incomes already permit them to save a great deal. The committee rightly observes that too many workers approach retirement with insufficient savings; half of all private-sector workers lack pension coverage. But most of them will continue to lack it if this bill is passed. Those who already have the most coverage will be eligible for more; that will be the main effect.

The bill would significantly increase the amounts of money that can be set aside each year in tax-favored individual retirement and 401(k) accounts. An estimated three-fourths of the benefit of the bill would go to taxpayers in the highest income quintile, and two-fifths would go to the highest income 5 percent. Democratic efforts to broaden the bill to benefit lower-income taxpayers failed. This bill also contains provisions that critics think would induce small employers to reduce pension coverage rather than expand it, as the sponsors suggest.

This one won't break the bank, but neither is it likely to increase savings that much. For the most part, it will confer in the name

of savings a tidy tax break on people who were going to save anyway. It ought not to pass.

Mr. CANTOR. Mr. Speaker, I rise today in support of H.R. 10, the Comprehensive Retirement Security and Pension Reform Act and commend Messrs. PORTMAN and CARDIN for introducing this important legislation.

Financial security in retirement is the cornerstone of the American dream and a critical component of ensuring the health and well-being of our society for generations to come. Long-term financial planning provides vast benefits to our national economy, and all hard-working Americans deserve to retire in comfort without worrying about whether they will become a burden to their families or reliant upon the Federal Government for health care and daily subsistence.

H.R. 10 would allow Americans to make a greater investment in their own retirement plans through expanded individual retirement accounts and 401(k)s. This provision alone would permit Americans to accumulate more wealth as they work toward retirement and would have an immediate beneficial impact upon our slowing economy. In addition, this bill contains a special catch-up contribution for those age 50 and older who perhaps were unable to save for retirement to the maximum extent possible early in their careers.

Another important aspect of this measure is that it would greatly enhance pension portability, so that workers who change jobs can take their pension benefits with them. This common sense provision is long overdue and enjoys overwhelming support among working men and women across the United States. Finally, the bill includes provisions that would make it easier for our Nation's small businesses to start retirement plans, helping bring new pension coverage to millions of small business workers.

Mr. Speaker, the time has come to enact this bipartisan legislation into law. No longer can we discuss Social Security and Medicare reform, the rising costs of health care for our senior citizens, and their inability to meet daily living expenses on a fixed income without enabling them to adequately plan and save for their retirement.

I join the overwhelming majority of my colleagues in the House in support of H.R. 10 and urge the immediate adoption of this important legislation.

Ms. HARMAN. Mr. Speaker, I rise today to support H.R. 10, the Comprehensive Retirement Security and Pension Reform Act of 2001, which will improve the ability of all Americans to save for retirement.

Since 1981, the IRA contribution limit has not been adjusted for inflation. This legislation increases the contribution limit over the next 3 years to $5,000. Additionally, those who are over 50 are given the opportunity to ''catch up'' through an increased contribution limit of $5,000 beginning in 2002. This legislation also addresses the needs of the increasingly mobile workforce through provisions which provide quicker vesting for employer matching funds, a simpler pension system to encourage small businesses to provide pension plans and a faster vesting of employer matching contributions. These provisions will allow the younger generation of workers to better plan and adequately prepare for retirement.

Mr. Speaker, I was not here the last time this legislation was considered on the House floor, but had I been, this legislation would have had my full support.

I urge my colleagues to support H.R. 10.

Mr. BEREUTER. Mr. Speaker, this Member rises today to express his support for H.R. 10, the Comprehensive Retirement Security Pension Reform Act of 2001, of which this Member is an original cosponsor. In fact, this Member also cosponsored similar legislation (H.R. 1102) in the prior 106th Congress. Therefore, this Member would like to thank both of the main sponsors of H.R. 10—the distinguished gentleman from Ohio, ROB PORTMAN and the distinguished gentleman from Maryland, BEN CARDIN—and the chairman of the House Ways and Means Committee, the distinguished gentleman from California, Mr. BILL THOMAS, for their instrumental role in bringing H.R. 10 to the House floor.

The pension reform provisions as provided in H.R. 10 are all too necessary as half of the people in the American workforce, 70 million workers, lack access to any sort of pension. Less than 20 percent of small businesses, businesses with 25 or fewer employees, offer any kind of pension coverage today. And, there has been almost no growth in pension coverage over the past 20 years.

Between 1982 and 1994, Congress repeatedly reduced the limits on traditional defined benefit pension plans, and costly new regulatory restrictions were added. As a result, the number of these plans dropped from 114,000 to 45,000 between 1987 and 1997. And, contribution limits on pensions and individual retirement accounts (IRAs) are stuck at 1980s levels. You could set more aside in a 401(k) plan in 1986 than you can today. Unfortunately, these cutbacks hurt the workers who need the most help in saving for retirement—those at lower and middle income levels. Since 1990, pension coverage has dropped from 40 to 33 percent among workers who make less than $20,000 per year.

To address these concerns H.R. 10 will provide $52 million in tax relief to help Americans save for retirement by making it easier for small businesses to offer retirement plans, allowing workers to save more, addressing the needs of an increasingly mobile workforce through portability, making pensions more secure, and cutting the bureaucracy of red tape that has thwarted employers in establishing employee pension plans. The bill will increase the IRA contribution limit from $2,000 to $5,000 over 3 years; subsequently, it will be indexed to inflation in $500 increments. It would increase the maximum annual contribution employees can make to their employer-sponsored 401(k) accounts from $10,500 to $15,000 over 5 years; subsequently, the annual contribution limit will be indexed to inflation in $500 increments. And, it would allow taxpayers age 50 and over to contribute $5,000 immediately beginning in 2001 as ''catch up'' contributions for those people who may have left the workforce for a time period—this is especially important for women as they often have brief or intermittent work histories.

This is a fair, balanced, bipartisan plan that will help millions of American workers, including school teachers, union workers, the financial services industry, State officials, and educational institutions. It includes provisions that will make it easier for small businesses to start retirement plans, helping to bring new pension coverage to millions of small business workers. And, H.R. 10 will greatly enhance pension portability, so that workers who change jobs can take their pension benefits with them.

Mr. Speaker, for all of these important reasons for comprehensive pension reform and coverage, this Member strongly urges his colleagues to vote for H.R. 10.

Mr. WELDON of Florida. Mr. Speaker, I rise in strong support of H.R. 10. As a proud cosponsor of this bill I am pleased that we are moving forward with this legislation at the outset of the 107th Congress. Last year this bill received overwhelming support in the House and Senate. We now have a President, George W. Bush, who indicated his support of the bill and his willingness to sign it into law.

It is critical that we do all that we can to help Americans better prepare for their retirement. H.R. 10 makes it easier for small businesses to offer retirement plans, allows workers to save more of their income for retirement. It makes it easier for an increasingly mobile workforce to carry their retirement benefits from one job to another, makes pensions more secure, and cuts the red tape that has hamstrung employers who want to establish pension plans for their employees.

With regard to individual retirement accounts (IRAs), the bill increases that annual contribution limit from $2,000 to $3,000 in 2002, $4,000 in 2003 and $5,000 by 2004. Thereafter, the contribution limit is indexed for inflation. The current $2,000 limit has not been increased since 1981. Additionally, taxpayers that are over 50 years of age are allowed to contribute up to $5,000 a year beginning immediately in 2002, allowing these older Americans to make ''catch up'' contributions for retirement.

This bill includes over 50 provisions to improve the retirement security of American workers. I am pleased that this bill enjoys broad bipartisan support, and I look forward to its passage.

Mr. TOM DAVIS of Virginia. Mr. Speaker, I rise today in strong support of H.R. 10, the Comprehensive Retirement Security and Pension Reform Act, a bill I consider to be one of the most important pieces of legislation we will consider during this Congress.

Americans want to be self-sufficient. That desire is at the core of the vast majority of legislation we consider here in Congress, be it tax-related, healthcare-related, pension-related, or education-related. Americans want the resources available in their old age that will allow them to live in dignity, without dependency on the government or the charity of others, and without becoming a burden to their children. This is a simple request, but in order to make it possible, years of careful planning and savings are required. How can we as Members of Congress help in this process, Mr. Speaker? We have social security, but we all realize this is a program in need of comprehensive reform in order to remain viable. Many are skeptical that the money they pay into social security will be there to help them when they retire. Whatever is done—or not done with respect to social security, we all realize that depending heavily on social security to provide a secure retirement is a bad idea. In fact, it was never intended to be more than one leg, of a three-legged stool, the other legs of which were personal savings and pension plans. Unfortunately, with the level of personal savings in this country at its lowest level since 1933, this three-legged stool is becoming more of a pogo stick.

Therefore, it is paramount that we in Congress give Americans tools to save more of their personal income for retirement. IRAs and 401(k)s have been excellent instruments to accomplish this goal, but allowable contributions need to be raised to more realistic levels. H.R. 10 raises the limit for IRA contributions to $5000 and the 401(k) limit to $15,000, then indexes them for inflation. It gives individuals over 50 years old the opportunity to ''catch up'' by making contributions of up to $5000 immediately. H.R. 10 also makes it easier for workers to move their pension savings when they change jobs, and eliminates regulatory barriers that discourage small businesses from setting up pension programs.

There are other important provisions in H.R. 10, but I would like to summarize by saying that Messrs. PORTMAN and CARDIN have done an outstanding job crafting a comprehensive bill that will help Americans prepare for retirement. I commend them on their outstanding work, and I urge my colleagues to support this bill.

Mr. BRADY of Pennsylvania. Mr. Speaker, I rise in strong support of pension provisions in H.R. 10 and the Rangel-Neal substitute. This legislation will make life better for the 10 million hard working Americans, retirees and their families who depend on multi-employer plans for retirement, health and other benefits.

I support this legislation for one simple reason. It restores fairness to the tax code. Many working Americans, especially union members in the building trades work their whole lives and pay into pension funds. They expect to get back what they put in.

Instead, Section 415 of the IRS code treats union multi-employer pension plans the same way it treats wealthy tax dodgers. Section 415 limits were designed to prevent high income individuals from using pension plans to shelter excessive benefits.

But these limits are being applied to multi-employer plans, whose beneficiaries are typical working men and women. Multi-employer plan retirees need relief and they need it now.

H.R. 10 and the substitute allow working people to receive more of their retirement benefits that they have worked for and earned.

Mr. Speaker, I want to thank my friends BEN CARDIN and ROB PORTMAN for working so hard to bring this much needed relief to working Americans. I urge my colleagues to support this bill.

Mrs. MINK of Hawaii. Mr. Speaker, I rise in support of H.R. 10, the Portman-Cardin pension reform bill. I am proud to be an original cosponsor of this legislation.

According to the Social Security Administration, the average retiree gets only 40 percent of her income from Social Security. Another 19 percent comes from employer-provided pensions, 18 percent from personal savings and 20 percent from earnings. Unfortunately, half of all private sector workers have no pension coverage. In businesses with less than 25 workers, only 20 percent have pension plans. Workers in such positions need incentives to save for their retirement.

H.R. 10 is designed to encourage retirement and pension savings.

First, the bill increases the amount an individual can contribute to an Individual Retirement Account (IRA) and $2,000 per year to $5,000 per year by 2004. Beginning in 2005, the amount would be indexed for inflation in $500 increments. The contribution limit is increased for both traditional IRAs (contributions are tax deductible and not taxed until withdrawn) and Roth IRAs (contributions are not deductible but withdrawals are not taxed).

Second, the bill increases the amount an individual can contribute to a 401(k) plan, a tax-sheltered annuity or a salary-reduction Simplified Employee Pension (SEP) plan is increased from $10,500 to $15,000 by 2006.

Third, the bill increases the amount that may be contributed to a small business SIMPLE plan from $6,500 to $10,000 by 2006.

Fourth, the amount that an individual employee of a state or local government or a non-profit organization can contribute to a Section 457 plan is increased from $8,500 to $15,000 by 2006. In addition, the amount of contributions can be doubled during the last three years before retirement.

Together, these provisions provide workers with increased opportunities to save for retirement.

Next, the bill increases the portability of pensions. This is increasingly important to the modern workforce, with its high degree of mobility. Under the provision, workers will be able to roll-over pension savings from one type of plan to another as they move from job to job.

The bill also contains an extremely important provision relating to vesting of pension rights. Under current law, a worker can lose their employer's pension benefits if they do not work for the employer for five years. The bill changes the vesting rule so that a worker's rights to pension benefits vests with three years of employment.

I would like to see greater protections for workers whose employers are converting their pension plans to so-called cash balance plans. Employers often do not disclose to older workers that a conversion to a cash balance plan may contain a ''wear-away'' provision under which a worker may not earn any additional pension benefits for several years. Employees also do not receive adequate explanation of the effect that a conversion has on pension benefits because employers are not required to provide an explanation.

On balance, however, the bill is a step in the right direction of assisting Americans to increasing their savings toward their retirement and I urge its passage.

The SPEAKER pro tempore. All time for general debate has expired.

AMENDMENT IN THE NATURE OF A SUBSTITUTE OFFERED BY MR. NEAL OF MASSACHUSETTS

Mr. NEAL of Massachusetts. Mr. Speaker, I offer an amendment in the nature of a substitute.

The SPEAKER pro tempore. The Clerk will designate the amendment in the nature of a substitute.

The text of the amendment in the nature of a substitute is as follows:

Amendment in the nature of a substitute offered by Mr. NEAL of Massachusetts:

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE; REFERENCES; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the ''Comprehensive Retirement Security and Pension Reform Act of 2001''.

(b) AMENDMENT OF 1986 CODE.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

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

Sec. 1. Short title; references; table of contents.*

TITLE I—INDIVIDUAL RETIREMENT ACCOUNT PROVISIONS

Sec. 101. Modification of IRA contribution limits.

TITLE II—EXPANDING COVERAGE

Sec. 201. Increase in benefit and contribution limits.
Sec. 202. Plan loans for subchapter S owners, partners, and sole proprietors.
Sec. 203. Modification of top-heavy rules.
Sec. 204. Elective deferrals not taken into account for purposes of deduction limits.
Sec. 205. Repeal of coordination requirements for deferred compensation plans of State and local governments and tax-exempt organizations.
Sec. 206. Elimination of user fee for requests to IRS regarding pension plans.
Sec. 207. Deduction limits.
Sec. 208. Option to treat elective deferrals as after-tax contributions.
Sec. 209. Availability of qualified plans to self-employed individuals who are exempt from the self-employment tax by reason of their religious beliefs.
Sec. 210. Certain nonresident aliens excluded in applying minimum coverage requirements.
Sec. 211. Refundable credit to certain individuals for elective deferrals and IRA contributions.
Sec. 212. Credit for pension plan startup costs of small employers.
Sec. 213. Credit for qualified pension plan contributions of small employers.

TITLE III—ENHANCING FAIRNESS FOR WOMEN

Sec. 301. Catch-up contributions for individuals age 50 or over.
Sec. 302. Equitable treatment for contributions of employees to defined contribution plans.
Sec. 303. Faster vesting of certain employer matching contributions.
Sec. 304. Modifications to minimum distribution rules.
Sec. 305. Clarification of tax treatment of division of section 457 plan benefits upon divorce.
Sec. 306. Provisions relating to hardship distributions.
Sec. 307. Waiver of tax on nondeductible contributions for domestic or similar workers.

TITLE IV—INCREASING PORTABILITY FOR PARTICIPANTS

Sec. 401. Rollovers allowed among various types of plans.
Sec. 402. Rollovers of IRAs into workplace retirement plans.
Sec. 403. Rollovers of after-tax contributions.
Sec. 404. Hardship exception to 60-day rule.
Sec. 405. Treatment of forms of distribution.
Sec. 406. Rationalization of restrictions on distributions.
Sec. 407. Purchase of service credit in governmental defined benefit plans.
Sec. 408. Employers may disregard rollovers for purposes of cash-out amounts.
Sec. 409. Minimum distribution and inclusion requirements for section 457 plans.

TITLE V—STRENGTHENING PENSION SECURITY AND ENFORCEMENT

Sec. 501. Repeal of percent of current liability funding limit.
Sec. 502. Maximum contribution deduction rules modified and applied to all defined benefit plans.
Sec. 503. Excise tax relief for sound pension funding.
Sec. 504. Excise tax on failure to provide notice by defined benefit plans significantly reducing future benefit accruals.
Sec. 505. Treatment of multiemployer plans under section 415.
Sec. 506. Protection of investment of employee contributions to 401(k) plans.
Sec. 507. Periodic pension benefits statements.
Sec. 508. Prohibited allocations of stock in S corporation ESOP.

TITLE VI—REDUCING REGULATORY BURDENS

Sec. 601. Modification of timing of plan valuations.
Sec. 602. ESOP dividends may be reinvested without loss of dividend deduction.
Sec. 603. Repeal of transition rule relating to certain highly compensated employees.
Sec. 604. Employees of tax-exempt entities.
Sec. 605. Clarification of treatment of employer-provided retirement advice.
Sec. 606. Reporting simplification.
Sec. 607. Improvement of employee plans compliance resolution system.
Sec. 608. Repeal of the multiple use test.
Sec. 609. Flexibility in nondiscrimination, coverage, and line of business rules.
Sec. 610. Extension to all governmental plans of moratorium on application of certain nondiscrimination rules applicable to State and local plans.
Sec. 611. Notice and consent period regarding distributions.
Sec. 612. Annual report dissemination.
Sec. 613. Technical corrections to SAVER Act.

TITLE VII—OTHER ERISA PROVISIONS

Sec. 701. Missing participants.
Sec. 702. Reduced PBGC premium for new plans of small employers.
Sec. 703. Reduction of additional PBGC premium for new and small plans.
Sec. 704. Authorization for PBGC to pay interest on premium overpayment refunds.
Sec. 705. Substantial owner benefits in terminated plans.
Sec. 706. Civil penalties for breach of fiduciary responsibility.
Sec. 707. Benefit suspension notice.
Sec. 708. Studies.

TITLE VIII—PLAN AMENDMENTS

Sec. 801. Provisions relating to plan amendments.

TITLE I—INDIVIDUAL RETIREMENT ACCOUNTS

SEC. 101. MODIFICATION OF IRA CONTRIBUTION LIMITS.

(a) INCREASE IN CONTRIBUTION LIMIT.—

(1) IN GENERAL.—Paragraph (1)(A) of section 219(b) (relating to maximum amount of deduction) is amended by striking ''$2,000'' and inserting ''the deductible amount''.

(2) DEDUCTIBLE AMOUNT.—Section 219(b) is amended by adding at the end the following new paragraph:

''(5) DEDUCTIBLE AMOUNT.—For purposes of paragraph (1)(A)—

''(A) IN GENERAL.—The deductible amount shall be determined in accordance with the following table:

''For taxable years beginning in:	The deductible amount is:
2002	$3,000
2003	$4,000
2004 and thereafter	$5,000.

''(B) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS 50 OR OLDER.—In the case of an individual who has attained the age of 50 before the close of the taxable year, the deductible amount for taxable years beginning in 2002 or 2003 shall be $5,000.

''(C) COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—In the case of any taxable year beginning in a calendar year after 2004, the $5,000 amount under subparagraph (A) shall be increased by an amount equal to—

''(I) such dollar amount, multiplied by

''(II) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting 'calendar year 2003' for 'calendar year 1992' in subparagraph (B) thereof.

''(ii) ROUNDING RULES.—If any amount after adjustment under clause (i) is not a multiple of $500, such amount shall be rounded to the next lower multiple of $500.''.

(b) CONFORMING AMENDMENTS.—

(1) Section 408(a)(1) is amended by striking ''in excess of $2,000 on behalf of any individual'' and inserting ''on behalf of any individual in excess of the amount in effect for such taxable year under section 219(b)(1)(A)''.

(2) Section 408(b)(2)(B) is amended by striking ''$2,000'' and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(3) Section 408(b) is amended by striking ''$2,000'' in the matter following paragraph (4) and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(4) Section 408(j) is amended by striking ''$2,000''.

(5) Section 408(p)(8) is amended by striking ''$2,000'' and inserting ''the dollar amount in effect under section 219(b)(1)(A)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

TITLE II—EXPANDING COVERAGE

SEC. 201. INCREASE IN BENEFIT AND CONTRIBUTION LIMITS.

(a) DEFINED BENEFIT PLANS.—

(1) DOLLAR LIMIT.—

(A) Subparagraph (A) of section 415(b)(1) (relating to limitation for defined benefit plans) is amended by striking ''$90,000'' and inserting ''$160,000''.

(B) Subparagraphs (C) and (D) of section 415(b)(2) are each amended by striking ''$90,000'' each place it appears in the headings and the text and inserting ''$160,000''.

(C) Paragraph (7) of section 415(b) (relating to benefits under certain collectively bargained plans) is amended by striking ''the greater of $68,212 or one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$90,000' '' and inserting ''one-half the amount otherwise applicable for such year under paragraph (1)(A) for '$160,000' ''.

(2) LIMIT REDUCED WHEN BENEFIT BEGINS BEFORE AGE 62.—Subparagraph (C) of section 415(b)(2) is amended by striking ''the social security retirement age'' each place it appears in the heading and text and inserting ''age 62'' and by striking the second sentence.

(3) LIMIT INCREASED WHEN BENEFIT BEGINS AFTER AGE 65.—Subparagraph (D) of section 415(b)(2) is amended by striking ''the social security retirement age'' each place it appears in the heading and text and inserting ''age 65''.

(4) COST-OF-LIVING ADJUSTMENTS.—Subsection (d) of section 415 (related to cost-of-living adjustments) is amended—

(A) by striking ''$90,000'' in paragraph (1)(A) and inserting ''$160,000''; and

(B) in paragraph (3)(A)—

(i) by striking ''$90,000'' in the heading and inserting ''$160,000''; and

(ii) by striking ''October 1, 1986'' and inserting ''July 1, 2001''.

(5) CONFORMING AMENDMENTS.—

(A) Section 415(b)(2) is amended by striking subparagraph (F).

(B) Section 415(b)(9) is amended to read as follows:

''(9) SPECIAL RULE FOR COMMERCIAL AIRLINE PILOTS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), in the case of any participant who is a commercial airline pilot, if, as of the time of the participant's retirement, regulations prescribed by the Federal Aviation Administration require an individual to separate from service as a commercial airline pilot after attaining any age occurring on or after age 60 and before age 62, paragraph (2)(C) shall be applied by substituting such age for age 62.

''(B) INDIVIDUALS WHO SEPARATE FROM SERVICE BEFORE AGE 60.—If a participant described in subparagraph (A) separates from service before age 60, the rules of paragraph (2)(C) shall apply.''.

(C) Section 415(b)(10)(C)(i) is amended by striking ''applied without regard to paragraph (2)(F)''.

(b) DEFINED CONTRIBUTION PLANS.—

(1) DOLLAR LIMIT.—Subparagraph (A) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking ''$30,000'' and inserting ''$40,000''.

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

(A) by striking ''$30,000'' in paragraph (1)(C) and inserting ''$40,000''; and

(B) in paragraph (3)(D)—

(i) by striking ''$30,000'' in the heading and inserting ''$40,000''; and

(ii) by striking ''October 1, 1993'' and inserting ''July 1, 2001''.

(c) QUALIFIED TRUSTS.—

(1) COMPENSATION LIMIT.—Sections 401(a)(17), 404(l), 408(k), and 505(b)(7) are each amended by striking ''$150,000'' each place it appears and inserting ''$200,000''.

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

(A) by striking ''October 1, 1993'' and inserting ''July 1, 2001''; and

(B) by striking ''$10,000'' both places it appears and inserting ''$5,000''.

(d) ELECTIVE DEFERRALS.—

(1) IN GENERAL.—Paragraph (1) of section 402(g) (relating to limitation on exclusion for elective deferrals) is amended to read as follows:

''(1) IN GENERAL.—

''(A) LIMITATION.—Notwithstanding subsections (e)(3) and (h)(1)(B), the elective deferrals of any individual for any taxable year shall be included in such individual's gross income to the extent the amount of such deferrals for the taxable year exceeds the applicable dollar amount.

''(B) APPLICABLE DOLLAR AMOUNT.—For purposes of subparagraph (A), the applicable dollar amount shall be the amount determined in accordance with the following table:

''For taxable years beginning in calendar year:	The applicable dollar amount:
2002	$11,000
2003	$12,000
2004	$13,000

2005	$14,000
2006 or thereafter	$15,000.''.

(2) COST-OF-LIVING ADJUSTMENT.—Paragraph (5) of section 402(g) is amended to read as follows:

''(5) COST-OF-LIVING ADJUSTMENT.—In the case of taxable years beginning after December 31, 2006, the Secretary shall adjust the $15,000 amount under paragraph (1)(B) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2005, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

(A) Section 402(g) (relating to limitation on exclusion for elective deferrals), as amended by paragraphs (1) and (2), is further amended by striking paragraph (4) and redesignating paragraphs (5), (6), (7), (8), and (9) as paragraphs (4), (5), (6), (7), and (8), respectively.

(B) Paragraph (2) of section 457(c) is amended by striking ''402(g)(8)(A)(iii)'' and inserting ''402(g)(7)(A)(iii)''.

(C) Clause (iii) of section 501(c)(18)(D) is amended by striking ''(other than paragraph (4) thereof)''.

(e) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations) is amended—

(A) in subsections (b)(2)(A) and (c)(1) by striking ''$7,500'' each place it appears and inserting ''the applicable dollar amount''; and

(B) in subsection (b)(3)(A) by striking ''$15,000'' and inserting ''twice the dollar amount in effect under subsection (b)(2)(A)''.

(2) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—Paragraph (15) of section 457(e) is amended to read as follows:

''(15) APPLICABLE DOLLAR AMOUNT.—

''(A) IN GENERAL.—The applicable dollar amount shall be the amount determined in accordance with the following table:

''For taxable years beginning in calendar year:	The applicable dollar amount:
2002	$11,000
2003	$12,000
2004	$13,000
2005	$14,000
2006 or thereafter	$15,000.

''(B) COST-OF-LIVING ADJUSTMENTS.—In the case of taxable years beginning after December 31, 2006, the Secretary shall adjust the $15,000 amount under subparagraph (A) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning July 1, 2005, and any increase under this paragraph which is not a multiple of $500 shall be rounded to the next lowest multiple of $500.''.

(f) SIMPLE RETIREMENT ACCOUNTS.—

(1) LIMITATION.—Clause (ii) of section 408(p)(2)(A) (relating to general rule for qualified salary reduction arrangement) is amended by striking ''$6,000'' and inserting ''the applicable dollar amount''.

(2) APPLICABLE DOLLAR AMOUNT.—Subparagraph (E) of 408(p)(2) is amended to read as follows:

''(E) APPLICABLE DOLLAR AMOUNT; COST-OF-LIVING ADJUSTMENT.—

''(i) IN GENERAL.—For purposes of subparagraph (A)(ii), the applicable dollar amount shall be the amount determined in accordance with the following table:

''For taxable years beginning in calendar year:	The applicable dollar amount:
2002	$7,000
2003	$8,000
2004	$9,000
2005 or thereafter	$10,000.

''(ii) COST-OF-LIVING ADJUSTMENT.—In the case of a year beginning after December 31, 2005, the Secretary shall adjust the $10,000 amount under clause (i) at the same time and in the same manner as under section 415(d), except that the base period taken into account shall be the calendar quarter beginning July 1, 2004, and any increase under this subparagraph which is not a multiple of $500 shall be rounded to the next lower multiple of $500.''.

(3) CONFORMING AMENDMENTS.—

(A) Subclause (I) of section 401(k)(11)(B)(i) is amended by striking ''$6,000'' and inserting ''the amount in effect under section 408(p)(2)(A)(ii)''.

(B) Section 401(k)(11) is amended by striking subparagraph (E).

(g) ROUNDING RULE RELATING TO DEFINED BENEFIT PLANS AND DEFINED CONTRIBUTION PLANS.—Paragraph (4) of section 415(d) is amended to read as follows:

''(4) ROUNDING.—

''(A) $160,000 AMOUNT.—Any increase under subparagraph (A) of paragraph (1) which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.

''(B) $40,000 AMOUNT.—Any increase under subparagraph (C) of paragraph (1) which is not a multiple of $1,000 shall be rounded to the next lowest multiple of $1,000.''.

(h) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 202. PLAN LOANS FOR SUBCHAPTER S OWNERS, PARTNERS, AND SOLE PROPRIETORS.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—Subparagraph (B) of section 4975(f)(6) (relating to exemptions not to apply to certain transactions) is amended by adding at the end the following new clause:

''(iii) LOAN EXCEPTION.—For purposes of subparagraph (A)(i), the term 'owner-employee' shall only include a person described in subclause (II) or (III) of clause (i).''.

(b) AMENDMENT OF ERISA.—Section 408(d)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1108(d)(2)) is amended by adding at the end the following new subparagraph:

''(C) For purposes of paragraph (1)(A), the term 'owner-employee' shall only include a person described in clause (ii) or (iii) of subparagraph (A).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 203. MODIFICATION OF TOP-HEAVY RULES.

(a) SIMPLIFICATION OF DEFINITION OF KEY EMPLOYEE.—

(1) IN GENERAL.—Section 416(i)(1)(A) (defining key employee) is amended—

(A) by striking ''or any of the 4 preceding plan years'' in the matter preceding clause (i);

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

''(i) an officer of the employer having an annual compensation greater than $150,000,'';

(C) by striking clause (ii) and redesignating clauses (iii) and (iv) as clauses (ii) and (iii), respectively; and

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

(2) CONFORMING AMENDMENT.—Section 416(i)(1)(B)(iii) is amended by striking ''and subparagraph (A)(ii)''.

(b) MATCHING CONTRIBUTIONS TAKEN INTO ACCOUNT FOR MINIMUM CONTRIBUTION REQUIREMENTS.—Section 416(c)(2)(A) (relating to defined contribution plans) is amended by adding at the end the following: ''Employer matching contributions (as defined in section 401(m)(4)(A)) shall be taken into account for purposes of this subparagraph.''.

(c) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

(1) IN GENERAL.—Paragraph (3) of section 416(g) is amended to read as follows:

''(3) DISTRIBUTIONS DURING LAST YEAR BEFORE DETERMINATION DATE TAKEN INTO ACCOUNT.—

''(A) IN GENERAL.—For purposes of determining—

''(i) the present value of the cumulative accrued benefit for any employee, or

''(ii) the amount of the account of any employee,

such present value or amount shall be increased by the aggregate distributions made with respect to such employee under the plan during the 1-year period ending on the determination date. The preceding sentence shall also apply to distributions under a terminated plan which if it had not been terminated would have been required to be included in an aggregation group.

''(B) 5-YEAR PERIOD IN CASE OF IN-SERVICE DISTRIBUTION.—In the case of any distribution made for a reason other than separation from service, death, or disability, subparagraph (A) shall be applied by substituting '5-year period' for '1-year period'.''.

(2) BENEFITS NOT TAKEN INTO ACCOUNT.—Subparagraph (E) of section 416(g)(4) is amended—

(A) by striking ''LAST 5 YEARS'' in the heading and inserting ''LAST YEAR BEFORE DETERMINATION DATE''; and

(B) by striking ''5-year period'' and inserting ''1-year period''.

(d) DEFINITION OF TOP-HEAVY PLANS.—Paragraph (4) of section 416(g) (relating to other special rules for top-heavy plans) is amended by adding at the end the following new subparagraph:

''(H) CASH OR DEFERRED ARRANGEMENTS USING ALTERNATIVE METHODS OF MEETING NONDISCRIMINATION REQUIREMENTS.—The term 'top-heavy plan' shall not include a plan which consists solely of—

''(i) a cash or deferred arrangement which meets the requirements of section 401(k)(12), and

''(ii) matching contributions with respect to which the requirements of section 401(m)(11) are met.

If, but for this subparagraph, a plan would be treated as a top-heavy plan because it is a member of an aggregation group which is a top-heavy group, contributions under the plan may be taken into account in determining whether any other plan in the group meets the requirements of subsection (c)(2).''.

(e) FROZEN PLAN EXEMPT FROM MINIMUM BENEFIT REQUIREMENT.—Subparagraph (C) of section 416(c)(1) (relating to defined benefit plans) is amended—

(A) by striking ''clause (ii)'' in clause (i) and inserting ''clause (ii) or (iii)''; and

(B) by adding at the end the following:

''(iii) EXCEPTION FOR FROZEN PLAN.—For purposes of determining an employee's years of service with the employer, any service with the employer shall be disregarded to the extent that such service occurs during a plan year when the plan benefits (within the meaning of section 410(b)) no key employee or former key employee.''.

(f) ELIMINATION OF FAMILY ATTRIBUTION.—Section 416(i)(1)(B) (defining 5-percent owner) is amended by adding at the end the following new clause:

''(iv) FAMILY ATTRIBUTION DISREGARDED.—Solely for purposes of applying this paragraph (and not for purposes of any provision of this title which incorporates by reference the definition of a key employee or 5-percent owner under this paragraph), section 318 shall be applied without regard to subsection (a)(1) thereof in determining whether any person is a 5-percent owner.''.

(g) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 204. ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.

(a) IN GENERAL.—Section 404 (relating to deduction for contributions of an employer to an employees' trust or annuity plan and compensation under a deferred payment plan) is amended by adding at the end the following new subsection:

''(n) ELECTIVE DEFERRALS NOT TAKEN INTO ACCOUNT FOR PURPOSES OF DEDUCTION LIMITS.—Elective deferrals (as defined in section 402(g)(3)) shall not be subject to any limitation contained in paragraph (3), (7), or (9) of subsection (a), and such elective deferrals shall not be taken into account in applying any such limitation to any other contributions.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 205. REPEAL OF COORDINATION REQUIREMENTS FOR DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.

(a) IN GENERAL.—Subsection (c) of section 457 (relating to deferred compensation plans of State and local governments and tax-exempt organizations), as amended by section 201, is amended to read as follows:

''(c) LIMITATION.—The maximum amount of the compensation of any one individual which may be deferred under subsection (a) during any taxable year shall not exceed the amount in effect under subsection (b)(2)(A) (as modified by any adjustment provided under subsection (b)(3)).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to years beginning after December 31, 2001.

SEC. 206. ELIMINATION OF USER FEE FOR REQUESTS TO IRS REGARDING PENSION PLANS.

(a) ELIMINATION OF CERTAIN USER FEES.—The Secretary of the Treasury or the Secretary's delegate shall not require payment of user fees under the program established under section 10511 of the Revenue Act of 1987 for requests to the Internal Revenue Service for determination letters with respect to the qualified status of a pension benefit plan maintained solely by one or more eligible employers or any trust which is part of the plan. The preceding sentence shall not apply to any request—

(1) made after the later of—

(A) the fifth plan year the pension benefit plan is in existence; or

(B) the end of any remedial amendment period with respect to the plan beginning within the first 5 plan years; or

(2) made by the sponsor of any prototype or similar plan which the sponsor intends to market to participating employers.

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

(c) ELIGIBLE EMPLOYER.—For purposes of this section, the term ''eligible employer'' has the same meaning given such term in section 408(p)(2)(C)(i)(I) of the Internal Revenue Code of 1986. The determination of whether an employer is an eligible employer under this section shall be made as of the date of the request described in subsection (a).

(d) DETERMINATION OF AVERAGE FEES CHARGED.—For purposes of any determination of average fees charged, any request to which subsection (a) applies shall not be taken into account.

(e) EFFECTIVE DATE.—The provisions of this section shall apply with respect to requests made after December 31, 2001.

SEC. 207. DEDUCTION LIMITS.

(a) STOCK BONUS AND PROFIT SHARING TRUSTS.—

(1) IN GENERAL.—Subclause (I) of section 404(a)(3)(A)(i) (relating to stock bonus and profit sharing trusts) is amended by striking ''15 percent'' and inserting ''20 percent''.

(2) CONFORMING AMENDMENT.—Subparagraph (C) of section 404(h)(1) is amended by striking ''15 percent'' each place it appears and inserting ''20 percent''.

(b) COMPENSATION.—

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

''(12) DEFINITION OF COMPENSATION.—For purposes of paragraphs (3), (7), (8), and (9), the term 'compensation otherwise paid or accrued during the taxable year' shall include amounts treated as 'participant's compensation' under subparagraph (C) or (D) of section 415(c)(3).''.

(2) CONFORMING AMENDMENTS.—

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

(B) Clause (i) of section 4972(c)(6)(B) is amended by striking ''(within the meaning of section 404(a))'' and inserting ''(within the meaning of section 404(a) and as adjusted under section 404(a)(12))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 208. OPTION TO TREAT ELECTIVE DEFERRALS AS AFTER-TAX CONTRIBUTIONS.

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

''SEC. 402A. OPTIONAL TREATMENT OF ELECTIVE DEFERRALS AS PLUS CONTRIBUTIONS.

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

''(1) any designated plus contribution made by an employee pursuant to the program shall be treated as an elective deferral for purposes of this chapter, except that such contribution shall not be excludable from gross income, and

''(2) such plan (and any arrangement which is part of such plan) shall not be treated as failing to meet any requirement of this chapter solely by reason of including such program.

''(b) QUALIFIED PLUS CONTRIBUTION PROGRAM.—For purposes of this section—

''(1) IN GENERAL.—The term 'qualified plus contribution program' means a program under which an employee may elect to make designated plus contributions in lieu of all or a portion of elective deferrals the employee is otherwise eligible to make under the applicable retirement plan.

''(2) SEPARATE ACCOUNTING REQUIRED.—A program shall not be treated as a qualified plus contribution program unless the applicable retirement plan—

''(A) establishes separate accounts ('designated plus accounts') for the designated plus contributions of each employee and any earnings properly allocable to the contributions, and

''(B) maintains separate recordkeeping with respect to each account.

''(c) DEFINITIONS AND RULES RELATING TO DESIGNATED PLUS CONTRIBUTIONS.—For purposes of this section—

''(1) DESIGNATED PLUS CONTRIBUTION.—The term 'designated plus contribution' means any elective deferral which—

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

''(B) the employee designates (at such time and in such manner as the Secretary may prescribe) as not being so excludable.

''(2) DESIGNATION LIMITS.—The amount of elective deferrals which an employee may designate under paragraph (1) shall not exceed the excess (if any) of—

''(A) the maximum amount of elective deferrals excludable from gross income of the employee for the taxable year (without regard to this section), over

''(B) the aggregate amount of elective deferrals of the employee for the taxable year which the employee does not designate under paragraph (1).

''(3) ROLLOVER CONTRIBUTIONS.—

''(A) IN GENERAL.—A rollover contribution of any payment or distribution from a designated plus account which is otherwise allowable under this chapter may be made only if the contribution is to—

''(i) another designated plus account of the individual from whose account the payment or distribution was made, or

''(ii) a Roth IRA of such individual.

''(B) COORDINATION WITH LIMIT.—Any rollover contribution to a designated plus account under subparagraph (A) shall not be taken into account for purposes of paragraph (1).

''(d) DISTRIBUTION RULES.—For purposes of this title—

''(1) EXCLUSION.—Any qualified distribution from a designated plus account shall not be includible in gross income.

''(2) QUALIFIED DISTRIBUTION.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'qualified distribution' has the meaning given such term by section 408A(d)(2)(A) (without regard to clause (iv) thereof).

''(B) DISTRIBUTIONS WITHIN NONEXCLUSION PERIOD.—A payment or distribution from a designated plus account shall not be treated as a qualified distribution if such payment or distribution is made within the 5-taxable-year period beginning with the earlier of—

''(i) the first taxable year for which the individual made a designated plus contribution to any designated plus account established for such individual under the same applicable retirement plan, or

''(ii) if a rollover contribution was made to such designated plus account from a designated plus account previously established for such individual under another applicable retirement plan, the first taxable year for which the individual made a designated plus contribution to such previously established account.

''(C) DISTRIBUTIONS OF EXCESS DEFERRALS AND CONTRIBUTIONS AND EARNINGS THEREON.—The term 'qualified distribution' shall not include any distribution of an excess deferral under section 402(g)(2) or any excess contribution under section 401(k)(8), and any income on the excess deferral or contribution.

''(3) TREATMENT OF DISTRIBUTIONS OF CERTAIN EXCESS DEFERRALS.—Notwithstanding section 72, if any excess deferral under section 402(g)(2) attributable to a designated plus contribution is not distributed on or before the 1st April 15 following the close of the taxable year in which such excess deferral is made, the amount of such excess deferral shall—

''(A) not be treated as investment in the contract, and

''(B) be included in gross income for the taxable year in which such excess is distributed.

''(4) AGGREGATION RULES.—Section 72 shall be applied separately with respect to distributions and payments from a designated plus account and other distributions and payments from the plan.

''(e) OTHER DEFINITIONS.—For purposes of this section—

''(1) APPLICABLE RETIREMENT PLAN.—The term 'applicable retirement plan' means—

''(A) an employees' trust described in section 401(a) which is exempt from tax under section 501(a), and

''(B) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b).

''(2) ELECTIVE DEFERRAL.—The term 'elective deferral' means any elective deferral described in subparagraph (A) or (C) of section 402(g)(3).''.

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

(1) by adding at the end of paragraph (1)(A) (as added by section 201(d)(1)) the following new sentence: ''The preceding sentence shall not apply to so much of such excess as does not exceed the designated plus contributions of the individual for the taxable year.''; and

(2) by inserting ''(or would be included but for the last sentence thereof)'' after ''paragraph (1)'' in paragraph (2)(A).

(c) ROLLOVERS.—Subparagraph (B) of section 402(c)(8) is amended by adding at the end the following:

''If any portion of an eligible rollover distribution is attributable to payments or distributions from a designated plus account (as defined in section 402A), an eligible retirement plan with respect to such portion shall include only another designated plus account and a Roth IRA.''.

(d) REPORTING REQUIREMENTS.—

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

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

''(f) DESIGNATED PLUS CONTRIBUTIONS.—The Secretary shall require the plan administrator of each applicable retirement plan (as defined in section 402A) to make such returns and reports regarding designated plus contributions (as so defined) to the Secretary, participants and beneficiaries of the plan, and such other persons as the Secretary may prescribe.''.

(e) CONFORMING AMENDMENTS.—

(1) Section 408A(e) is amended by adding after the first sentence the following new sentence: ''Such term includes a rollover contribution described in section 402A(c)(3)(A).''.

(2) The table of sections for subpart A of part I of subchapter D of chapter 1 is amended by inserting after the item relating to section 402 the following new item:

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

(f) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 209. AVAILABILITY OF QUALIFIED PLANS TO SELF-EMPLOYED INDIVIDUALS WHO ARE EXEMPT FROM THE SELF-EMPLOYMENT TAX BY REASON OF THEIR RELIGIOUS BELIEFS.

(a) IN GENERAL.—Subparagraph (A) of section 401(c)(2) (defining earned income) is amended by adding at the end thereof the following new sentence: ''For purposes of this part only (other than sections 419 and 419A), this subparagraph shall be applied as if the term 'trade or business' for purposes of section 1402 included service described in section 1402(c)(6).''.

(b) SIMPLE RETIREMENT ACCOUNTS.—Clause (ii) of section 408(p)(6)(A) (defining self-employed) is amended by adding at the end the following new sentence: ''The preceding sentence shall be applied as if the term 'trade or business' for purposes of section 1402 included service described in section 1402(c)(6).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 210. CERTAIN NONRESIDENT ALIENS EXCLUDED IN APPLYING MINIMUM COVERAGE REQUIREMENTS.

(a) IN GENERAL.—Subparagraph (C) of section 410(b)(3) (relating to exclusion of certain employees) is amended by inserting '', determined without regard to the reference to subchapter D in the last sentence thereof'' after ''section 861(a)(3)''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to plan years beginning after December 31, 2001.

SEC. 211. REFUNDABLE CREDIT TO CERTAIN INDIVIDUALS FOR ELECTIVE DEFERRALS AND IRA CONTRIBUTIONS.

(a) IN GENERAL.—Subpart C of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to refundable credits) is amended by redesignating section 35 as section 36 and by inserting after section 34 the following new section:

''SEC. 35. ELECTIVE DEFERRALS AND IRA CONTRIBUTIONS BY CERTAIN INDIVIDUALS.

''(a) ALLOWANCE OF CREDIT.—In the case of an eligible individual, there shall be allowed as a credit against the tax imposed by this subtitle for the taxable year an amount equal to the applicable percentage of so much of the qualified retirement savings contributions of the eligible individual for the taxable year as do not exceed $2,000.

''(b) APPLICABLE PERCENTAGE.—For purposes of this section, the applicable percentage is the percentage determined in accordance with the following table:

Adjusted Gross Income						Applicable percentage
Joint return		Head of a household		All other cases		
Over	Not over	Over	Not over	Over	Not over	
$0	$25,000	$0	$18,750	$0	$12,500	50
25,000	35,000	18,750	26,250	12,500	17,500	45
35,000	45,000	26,250	33,750	17,500	22,500	35
45,000	55,000	33,750	41,250	22,500	27,500	25
55,000	75,000	41,250	56,250	27,500	37,500	15
75,000	.....	56,250	.....	37,500	.....	0

''(c) ELIGIBLE INDIVIDUAL.—For purposes of this section—

''(1) IN GENERAL.—The term 'eligible individual' means any individual if—

''(A) such individual has attained the age of 18 as of the close of the taxable year, and

''(B) the compensation (as defined in section 219(f)(1)) includible in the gross income of the individual (or, in the case of a joint return, of the taxpayer) for such taxable year is at least $5,000.

''(2) DEPENDENTS AND FULL-TIME STUDENTS NOT ELIGIBLE.—The term 'eligible individual' shall not include—

''(A) any individual with respect to whom a deduction under section 151 is allowable to another taxpayer for a taxable year beginning in the calendar year in which such individual's taxable year begins, and

''(B) any individual who is a student (as defined in section 151(c)(4)).

''(3) INDIVIDUALS RECEIVING CERTAIN RETIREMENT DISTRIBUTIONS NOT ELIGIBLE.—

''(A) IN GENERAL.—The term 'eligible individual' shall not include, with respect to a taxable year, any individual who received during the testing period—

''(i) any distribution from a qualified retirement plan (as defined in section 4974(c)), or from an eligible deferred compensation plan (as defined in section 457(b)), which is includible in gross income, or

''(ii) any distribution from a Roth IRA which is not a qualified rollover contribution (as defined in section 408A(e)) to a Roth IRA.

''(B) TESTING PERIOD.—For purposes of subparagraph (A), the testing period, with respect to a taxable year, is the period which includes—

''(i) such taxable year,

''(ii) the preceding taxable year, and

''(iii) the period after such taxable year and before the due date (without extensions) for filing the return of tax for such taxable year.

''(C) EXCEPTED DISTRIBUTIONS.—There shall not be taken into account under subparagraph (A)—

''(i) any distribution referred to in section 72(p), 401(k)(8), 401(m)(6), 402(g)(2), 404(k), or 408(d)(4),

''(ii) any distribution to which section 408A(d)(3) applies, and

''(iii) any distribution before January 1, 2002.

''(D) TREATMENT OF DISTRIBUTIONS RECEIVED BY SPOUSE OF INDIVIDUAL.—For purposes of determining whether an individual is an eligible individual for any taxable year, any distribution received by the spouse of such individual shall be treated as received by such individual if such individual and spouse file a joint return for such taxable year and for the taxable year during which the spouse receives the distribution.

''(d) QUALIFIED RETIREMENT SAVINGS CONTRIBUTIONS.—For purposes of this section, the term 'qualified retirement savings contributions' means the sum of—

''(1) the amount of the qualified retirement contributions (as defined in section 219(e)) made by the eligible individual,

''(2) the amount of—

''(A) any elective deferrals (as defined in section 402(g)(3)) of such individual, and

''(B) any elective deferral of compensation by such individual under an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A), and

''(3) the amount of voluntary employee contributions by such individual to any qualified retirement plan (as defined in section 4974(c)).

''(e) ADJUSTED GROSS INCOME.—For purposes of this section, adjusted gross income shall be determined without regard to sections 911, 931, and 933.

''(f) INVESTMENT IN THE CONTRACT.—Notwithstanding any other provision of law, a qualified retirement savings contribution shall not fail to be included in determining the investment in the contract for purposes of section 72 by reason of the credit under this section.

''(g) TRANSITIONAL RULES.—In the case of taxable years beginning before January 1, 2008—

''(1) CONTRIBUTION LIMIT.—Subsection (a) shall be applied by substituting for '$2,000'—

''(A) $600 in the case of taxable years beginning in 2002, 2003, or 2004, and

''(B) $1,000 in the case of taxable years beginning in 2005, 2006, or 2007.

''(2) APPLICABLE PERCENTAGE.—The applicable percentage shall be determined under the following table (in lieu of the table in subsection (b)):

Adjusted Gross Income						Applicable percentage
Joint return		Head of a household		All other cases		
Over	Not over	Over	Not over	Over	Not over	
$0	$20,000	$0	$15,000	$0	$10,000	50
20,000	25,000	15,000	18,750	10,000	12,500	45
25,000	30,000	18,750	22,500	12,500	15,000	35
30,000	35,000	22,500	26,250	15,000	17,500	25
35,000	40,000	26,250	30,000	17,500	20,000	15
40,000	.....	30,000	.....	20,000	.....	0.''

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (2) of section 1324(b) of title 31, United States Code, is amended by inserting before the period '', or from section 35 of such Code''.

(2) The table of sections for subpart C of part IV of subchapter A of chapter 1 of such Code is amended by striking the last item and inserting the following new items:

''Sec. 35. Elective deferrals and IRA contributions by certain individuals.

''Sec. 36. Overpayments of tax.''

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 212. CREDIT FOR PENSION PLAN STARTUP COSTS OF SMALL EMPLOYERS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to business related credits) is amended by adding at the end the following new section:

''SEC. 45E. SMALL EMPLOYER PENSION PLAN STARTUP COSTS.

''(a) GENERAL RULE.—For purposes of section 38, in the case of an eligible employer, the small employer pension plan startup cost credit determined under this section for any taxable year is an amount equal to 50 percent of the qualified startup costs paid or incurred by the taxpayer during the taxable year.

''(b) DOLLAR LIMITATION.—The amount of the credit determined under this section for any taxable year shall not exceed—

''(1) $1,000 for the first credit year,

''(2) $500 for each of the 2 taxable years immediately following the first credit year, and

''(3) zero for any other taxable year.

''(c) ELIGIBLE EMPLOYER.—For purposes of this section—

''(1) IN GENERAL.—The term 'eligible employer' has the meaning given such term by section 408(p)(2)(C)(i).

''(2) EMPLOYERS MAINTAINING QUALIFIED PLANS DURING 1998 NOT ELIGIBLE.—Such term shall not include an employer if such employer (or any predecessor employer) maintained a qualified plan (as defined in section 408(p)(2)(D)(ii)) with respect to which contributions were made, or benefits were accrued, for service in 1998. If only individuals other than employees described in subparagraph (A) or (B) of section 410(b)(3) are eligible to participate in the qualified employer plan referred to in subsection (d)(1), then the preceding sentence shall be applied without regard to any qualified plan in which only employees so described are eligible to participate.

''(d) OTHER DEFINITIONS.—For purposes of this section—

''(1) QUALIFIED STARTUP COSTS.—

''(A) IN GENERAL.—The term 'qualified startup costs' means any ordinary and necessary expenses of an eligible employer which are paid or incurred in connection with—

''(i) the establishment or administration of an eligible employer plan, or

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

''(B) PLAN MUST HAVE AT LEAST 2 PARTICIPANTS.—Such term shall not include any expense in connection with a plan that does not have at least 2 individuals who are eligible to participate.

''(C) PLAN MUST BE ESTABLISHED BEFORE JANUARY 1, 2010.—Such term shall not include any expense in connection with a plan established after December 31, 2009.

''(2) ELIGIBLE EMPLOYER PLAN.—The term 'eligible employer plan' means a qualified employer plan within the meaning of section 4972(d), or a qualified payroll deduction arrangement within the meaning of section 408(q)(1) (whether or not an election is made under section 408(q)(2)). A qualified payroll deduction arrangement shall be treated as an eligible employer plan only if all employees of the employer who—

''(A) have been employed for 90 days, and

''(B) are not described in subparagraph (A) or (C) of section 410(b)(3),

are eligible to make the election under section 408(q)(1)(A).

''(3) FIRST CREDIT YEAR.—The term 'first credit year' means—

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

''(B) at the election of the eligible employer, the taxable year preceding the taxable year referred to in subparagraph (A).

''(e) SPECIAL RULES.—For purposes of this section—

''(1) AGGREGATION RULES.—All persons treated as a single employer under subsection (a) or (b) of section 52, or subsection (n) or (o) of section 414, shall be treated as one person. All eligible employer plans shall be treated as 1 eligible employer plan.

''(2) DISALLOWANCE OF DEDUCTION.—No deduction shall be allowed for that portion of the qualified startup costs paid or incurred for the taxable year which is equal to the credit determined under subsection (a).

''(3) ELECTION NOT TO CLAIM CREDIT.—This section shall not apply to a taxpayer for any taxable year if such taxpayer elects to have this section not apply for such taxable year.''

(b) CREDIT ALLOWED AS PART OF GENERAL BUSINESS CREDIT.—Section 38(b) of such Code (defining current year business credit) is amended by striking ''plus'' at the end of paragraph (12), by striking the period at the end of paragraph (13) and inserting '', plus'', and by adding at the end the following new paragraph:

''(14) in the case of an eligible employer (as defined in section 45E(c)), the small employer pension plan startup cost credit determined under section 45E(a).''

(c) CONFORMING AMENDMENTS.—

(1) Section 39(d) of such Code is amended by adding at the end the following new paragraph:

''(10) NO CARRYBACK OF SMALL EMPLOYER PENSION PLAN STARTUP COST CREDIT BEFORE JANUARY 1, 2002.—No portion of the unused business credit for any taxable year which is attributable to the small employer pension plan startup cost credit determined under section 45E may be carried back to a taxable year beginning before January 1, 2002.''

(2) Subsection (c) of section 196 of such Code is amended by striking ''and'' at the end of paragraph (8), by striking the period at the end of paragraph (9) and inserting '', and'', and by adding at the end the following new paragraph:

''(10) the small employer pension plan startup cost credit determined under section 45E(a).''

(3) The table of sections for subpart D of part IV of subchapter A of chapter 1 of such Code is amended by adding at the end the following new item:

''Sec. 45E. Small employer pension plan startup costs.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to costs paid or incurred in taxable years beginning after December 31, 2001.

SEC. 213. CREDIT FOR QUALIFIED PENSION PLAN CONTRIBUTIONS OF SMALL EMPLOYERS.

(a) IN GENERAL.—Subpart D of part IV of subchapter A of chapter 1 of the Internal Revenue Code of 1986 (relating to business related credits) is amended by adding at the end the following new section:

''SEC. 45F. SMALL EMPLOYER PENSION PLAN CONTRIBUTIONS.

''(a) GENERAL RULE.—For purposes of section 38, in the case of an eligible employer, the small employer pension plan contribution credit determined under this section for any taxable year is an amount equal to 50 percent of the amount which would (but for subsection (f)(1)) be allowed as a deduction under section 404 for such taxable year for qualified employer contributions made to any qualified retirement plan on behalf of any nonhighly compensated employee.

''(b) CREDIT LIMITED TO 3 YEARS.—The credit allowable by this section shall be allowed only with respect to the period of 3 taxable years beginning with the taxable year in which the qualified retirement plan becomes effective.

''(c) QUALIFIED EMPLOYER CONTRIBUTION.—For purposes of this section—

''(1) DEFINED CONTRIBUTION PLANS.—In the case of a defined contribution plan, the term 'qualified employer contribution' means the amount of nonelective and matching contributions to the plan made by the employer on behalf of any nonhighly compensated employee to the extent such amount does not exceed 3 percent of such employee's compensation from the employer for the year.

''(2) DEFINED BENEFIT PLANS.—In the case of a defined benefit plan, the term 'qualified employer contribution' means the amount of employer contributions to the plan made on behalf of any nonhighly compensated employee to the extent that the accrued benefit of such employee derived from such contributions for the year do not exceed the equivalent (as determined under regulations prescribed by the Secretary and without regard to contributions and benefits under the Social Security Act) of 3 percent of such employee's compensation from the employer for the year.

''(d) QUALIFIED RETIREMENT PLAN.—

''(1) IN GENERAL.—The term 'qualified retirement plan' means any plan described in section 401(a) which includes a trust exempt from tax under section 501(a) if the plan meets—

''(A) the contribution requirements of paragraph (2),

''(B) the vesting requirements of paragraph (3), and

''(C) the distributions requirements of paragraph (4).

''(2) CONTRIBUTION REQUIREMENTS.—

''(A) IN GENERAL.—The requirements of this paragraph are met if, under the plan—

''(i) the employer is required to make nonelective contributions of at least 1 percent of compensation (or the equivalent thereof in the case of a defined benefit plan) for each nonhighly compensated employee who is eligible to participate in the plan, and

''(ii) except in the case of a defined benefit plan, allocations of nonelective employer contributions are either in equal dollar amounts for all employees covered by the plan or bear a uniform relationship to the total compensation, or the basic or regular rate of compensation, of the employees covered by the plan.

''(B) COMPENSATION LIMITATION.—The compensation taken into account under subparagraph (A) for any year shall not exceed the limitation in effect for such year under section 401(a)(17).

''(3) VESTING REQUIREMENTS.—The requirements of this paragraph are met if the plan satisfies the requirements of subparagraph (A) or (B).

''(A) 3-YEAR VESTING.—A plan satisfies the requirements of this subparagraph if an employee who has completed at least 3 years of service has a nonforfeitable right to 100 percent of the employee's accrued benefit derived from employer contributions.

''(B) 5-YEAR GRADED VESTING.—A plan satisfies the requirements of this subparagraph if an employee has a nonforfeitable right to a percentage of the employee's accrued benefit derived from employer contributions determined under the following table:

"Years of service:	The nonforfeitable percentage is:
1	20
2	40
3	60
4	80
5	100.

''(4) DISTRIBUTION REQUIREMENTS.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), the requirements of this paragraph are met if, under the plan—

''(i) in the case of a profit-sharing or stock bonus plan, amounts are distributable only as provided in section 401(k)(2)(B), and

''(ii) in the case of a pension plan, amounts are distributable subject to the limitations applicable to other distributions from the plan.

''(B) DISTRIBUTIONS WITHIN 5 YEARS AFTER SEPARATION, ETC.—In no event shall a plan meet the requirements of this paragraph unless, under the plan, amounts distributed—

''(i) after separation from service or severance from employment, and

''(ii) within 5 years after the date of the earliest employer contribution to the plan,

may be distributed only in a direct trustee-to-trustee transfer to a plan having the same distribution restrictions as the distributing plan.

''(e) OTHER DEFINITIONS.—For purposes of this section—

''(1) ELIGIBLE EMPLOYER.—The term 'eligible employer' has the meaning given such term by section 408(p)(2)(C)(i).

''(2) NONHIGHLY COMPENSATED EMPLOYEES.—The term 'highly compensated employee' has the meaning given such term by section 414(q) (determined without regard to section 414(q)(1)(B)(ii)).

''(f) SPECIAL RULES.—

''(1) DISALLOWANCE OF DEDUCTION.—No deduction shall be allowed for that portion of the qualified employer contributions paid or incurred for the taxable year which is equal to the credit determined under subsection (a).

''(2) ELECTION NOT TO CLAIM CREDIT.—This section shall not apply to a taxpayer for any taxable year if such taxpayer elects to have this section not apply for such taxable year.

''(g) RECAPTURE OF CREDIT ON FORFEITED CONTRIBUTIONS.—If any accrued benefit which is forfeitable by reason of subsection (d)(3) is forfeited, the employer's tax imposed by this chapter for the taxable year in which the forfeiture occurs shall be increased by 35 percent of the employer contributions from which such benefit is derived to the extent such contributions were taken into account in determining the credit under this section.

''(h) REGULATIONS.—The Secretary shall prescribe such regulations as may be appropriate to carry out the purposes of this section, including regulations to prevent the abuse of the purposes of this section through the use of multiple plans.

''(i) TERMINATION.—This section shall not apply to any plan established after December 31, 2009.''

(b) CREDIT ALLOWED AS PART OF GENERAL BUSINESS CREDIT.—Section 38(b) of such Code (defining current year business credit) is amended by striking ''plus'' at the end of paragraph (13), by striking the period at the end of paragraph (14) and inserting '', plus'', and by adding at the end the following new paragraph:

''(15) in the case of an eligible employer (as defined in section 45F(e)), the small employer pension plan contribution credit determined under section 45F(a).''

(c) CONFORMING AMENDMENTS.—

(1) Section 39(d) of such Code is amended by adding at the end the following new paragraph:

''(11) NO CARRYBACK OF SMALL EMPLOYER PENSION PLAN CONTRIBUTION CREDIT BEFORE JANUARY 1, 2002.—No portion of the unused business credit for any taxable year which is attributable to the small employer pension plan contribution credit determined under section 45F may be carried back to a taxable year beginning before January 1, 2002.''

(2) Subsection (c) of section 196 of such Code is amended by striking ''and'' at the end of paragraph (9), by striking the period at the end of paragraph (10) and inserting '', and'', and by adding at the end the following new paragraph:

''(11) the small employer pension plan contribution credit determined under section 45F(a).''

(3) The table of sections for subpart D of part IV of subchapter A of chapter 1 of such Code is amended by adding at the end the following new item:

''Sec. 45F. Small employer pension plan contributions.''

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to contributions paid or incurred in taxable years beginning after December 31, 2001.

TITLE III—ENHANCING FAIRNESS FOR WOMEN

SEC. 301. CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.

(a) IN GENERAL.—Section 414 (relating to definitions and special rules) is amended by adding at the end the following new subsection:

''(v) CATCH-UP CONTRIBUTIONS FOR INDIVIDUALS AGE 50 OR OVER.—

''(1) IN GENERAL.—An applicable employer plan shall not be treated as failing to meet any requirement of this title solely because the plan permits an eligible participant to make additional elective deferrals in any plan year.

''(2) LIMITATION ON AMOUNT OF ADDITIONAL DEFERRALS.—A plan shall not permit additional elective deferrals under paragraph (1) for any year in an amount greater than the lesser of—

''(A) $5,000, or

''(B) the excess (if any) of—

''(i) the participant's compensation for the year, over

''(ii) any other elective deferrals of the participant for such year which are made without regard to this subsection.

''(3) TREATMENT OF CONTRIBUTIONS.—In the case of any contribution to a plan under paragraph (1), such contribution shall not, with respect to the year in which the contribution is made—

''(A) be subject to any otherwise applicable limitation contained in section 402(g), 402(h)(2), 404(a), 404(h), 408(p)(2)(A)(ii), 415, or 457, or

''(B) be taken into account in applying such limitations to other contributions or benefits under such plan or any other such plan.

''(4) APPLICATION OF NONDISCRIMINATION RULES.—

''(A) IN GENERAL.—An applicable employer plan shall not be treated as failing to meet the nondiscrimination requirements under section 401(a)(4) with respect to benefits, rights, and features if the plan allows all eligible participants to make the same election with respect to the additional elective deferrals under this subsection.

''(B) AGGREGATION.—For purposes of subparagraph (A), all plans maintained by employers who are treated as a single employer under subsection (b), (c), (m), or (o) of section 414 shall be treated as 1 plan.

''(5) ELIGIBLE PARTICIPANT.—For purposes of this subsection, the term 'eligible participant' means, with respect to any plan year, a participant in a plan—

''(A) who has attained the age of 50 before the close of the plan year, and

''(B) with respect to whom no other elective deferrals may (without regard to this subsection) be made to the plan for the plan year by reason of the application of any limitation or other restriction described in paragraph (3) or comparable limitation contained in the terms of the plan.

''(6) OTHER DEFINITIONS AND RULES.—For purposes of this subsection—

''(A) APPLICABLE EMPLOYER PLAN.—The term 'applicable employer plan' means—

''(i) an employees' trust described in section 401(a) which is exempt from tax under section 501(a),

''(ii) a plan under which amounts are contributed by an individual's employer for an annuity contract described in section 403(b),

''(iii) an eligible deferred compensation plan under section 457 of an eligible employer as defined in section 457(e)(1)(A), and

''(iv) an arrangement meeting the requirements of section 408 (k) or (p).

''(B) ELECTIVE DEFERRAL.—The term 'elective deferral' has the meaning given such term by subsection (u)(2)(C).

''(C) EXCEPTION FOR SECTION 457 PLANS.—This subsection shall not apply to an applicable employer plan described in subparagraph (A)(iii) for any year to which section 457(b)(3) applies.

''(D) COST-OF-LIVING ADJUSTMENT.—In the case of a year beginning after December 31, 2006, the Secretary shall adjust annually the $5,000 amount in paragraph (2)(A) for increases in the cost-of-living at the same time and in the same manner as adjustments under section 415(d); except that the base period taken into account shall be the calendar quarter beginning July 1, 2005, and any increase under this subparagraph which is not a multiple of $500 shall be rounded to the next lower multiple of $500.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to contributions in taxable years beginning after December 31, 2001.

SEC. 302. EQUITABLE TREATMENT FOR CONTRIBUTIONS OF EMPLOYEES TO DEFINED CONTRIBUTION PLANS.

(a) EQUITABLE TREATMENT.—

(1) IN GENERAL.—Subparagraph (B) of section 415(c)(1) (relating to limitation for defined contribution plans) is amended by striking ''25 percent'' and inserting ''100 percent''.

(2) APPLICATION TO SECTION 403(b).—Section 403(b) is amended—

(A) by striking ''the exclusion allowance for such taxable year'' in paragraph (1) and inserting ''the applicable limit under section 415'';

(B) by striking paragraph (2); and

(C) by inserting ''or any amount received by a former employee after the fifth taxable year following the taxable year in which such employee was terminated'' before the period at the end of the second sentence of paragraph (3).

(3) CONFORMING AMENDMENTS.—

(A) Subsection (f) of section 72 is amended by striking ''section 403(b)(2)(D)(iii))'' and inserting ''section 403(b)(2)(D)(iii), as in effect before the enactment of the Comprehensive Retirement Security and Pension Reform Act of 2001)''.

(B) Section 404(a)(10)(B) is amended by striking '', the exclusion allowance under section 403(b)(2),''.

(C) Section 404(j) is amended by adding at the end the following new paragraph:

''(3) SPECIAL RULE FOR MONEY PURCHASE PLANS.—For purposes of paragraph (1)(B), in the case of a defined contribution plan which is subject to the funding standards of section 412, section 415(c)(1)(B) shall be applied by substituting '25 percent' for '100 percent'.''.

(D) Section 415(a)(2) is amended by striking '', and the amount of the contribution for such portion shall reduce the exclusion allowance as provided in section 403(b)(2)''.

(E) Section 415(c)(3) is amended by adding at the end the following new subparagraph:

''(E) ANNUITY CONTRACTS.—In the case of an annuity contract described in section 403(b), the term 'participant's compensation' means the participant's includible compensation determined under section 403(b)(3).''.

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

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

''(7) CERTAIN CONTRIBUTIONS BY CHURCH PLANS NOT TREATED AS EXCEEDING LIMIT.—

''(A) IN GENERAL.—Notwithstanding any other provision of this subsection, at the election of a participant who is an employee of a church or a convention or association of churches, including an organization described in section 414(e)(3)(B)(ii), contributions and other additions for an annuity contract or retirement income account described in section 403(b) with respect to such participant, when expressed as an annual addition to such participant's account, shall be treated as not exceeding the limitation of paragraph (1) if such annual addition is not in excess of $10,000.

''(B) $40,000 AGGREGATE LIMITATION.—The total amount of additions with respect to any participant which may be taken into account for purposes of this subparagraph for all years may not exceed $40,000.

''(C) ANNUAL ADDITION.—For purposes of this paragraph, the term 'annual addition' has the meaning given such term by paragraph (2).''.

(H) Subparagraph (B) of section 402(g)(7) (as redesignated by section 201) is amended by inserting before the period at the end the following: ''(as in effect before the enactment of the Comprehensive Retirement Security and Pension Reform Act of 2001)''.

(I) Section 664(g) is amended—

(i) in paragraph (3)(E) by striking ''limitations under section 415(c)'' and inserting ''applicable limitation under paragraph (7)'', and

(ii) by adding at the end the following new paragraph:

''(7) APPLICABLE LIMITATION.—

''(A) IN GENERAL.—For purposes of paragraph (3)(E), the applicable limitation under this paragraph with respect to a participant is an amount equal to the lesser of—

''(i) $30,000, or

''(ii) 25 percent of the participant's compensation (as defined in section 415(c)(3)).

''(B) COST-OF-LIVING ADJUSTMENT.—The Secretary shall adjust annually the $30,000 amount under subparagraph (A)(i) at the same time and in the same manner as under section 415(d), except that the base period shall be the calendar quarter beginning October 1, 1993, and any increase under this subparagraph which is not a multiple of $5,000 shall be rounded to the next lowest multiple of $5,000.''.

(4) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2001.

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

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

''(4) SPECIAL RULES FOR SECTIONS 403(B) AND 408.—For purposes of this section, any annuity contract described in section 403(b) for the benefit of a participant shall be treated as a defined contribution plan maintained by each employer with respect to which the participant has the control required under subsection (b) or (c) of section 414 (as modified by subsection (h)). For purposes of this section, any contribution by an employer to a simplified employee pension plan for an individual for a taxable year shall be treated as an employer contribution to a defined contribution plan for such individual for such year.''.

(2) EFFECTIVE DATE.—

(A) IN GENERAL.—The amendment made by paragraph (1) shall apply to limitation years beginning after December 31, 1999.

(B) EXCLUSION ALLOWANCE.—Effective for limitation years beginning in 2000, in the case of any annuity contract described in section 403(b) of the Internal Revenue Code of 1986, the amount of the contribution disqualified by reason of section 415(g) of such Code shall reduce the exclusion allowance as provided in section 403(b)(2) of such Code.

(3) MODIFICATION OF 403(b) EXCLUSION ALLOWANCE TO CONFORM TO 415 MODIFICATION.—The Secretary of the Treasury shall modify the regulations regarding the exclusion allowance under section 403(b)(2) of the Internal Revenue Code of 1986 to render void the requirement that contributions to a defined benefit pension plan be treated as previously excluded amounts for purposes of the exclusion allowance. For taxable years beginning after December 31, 1999, such regulations shall be applied as if such requirement were void.

(c) DEFERRED COMPENSATION PLANS OF STATE AND LOCAL GOVERNMENTS AND TAX-EXEMPT ORGANIZATIONS.—

(1) IN GENERAL.—Subparagraph (B) of section 457(b)(2) (relating to salary limitation on eligible deferred compensation plans) is amended by striking ''33⅓ percent'' and inserting ''100 percent''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to years beginning after December 31, 2001.

SEC. 303. FASTER VESTING OF CERTAIN EMPLOYER MATCHING CONTRIBUTIONS.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—Section 411(a) (relating to minimum vesting standards) is amended—

(1) in paragraph (2) in the matter preceding subparagraph (A), by striking ''A plan'' and inserting ''Except as provided in paragraph (12), a plan''; and

(2) by adding at the end the following:

''(12) FASTER VESTING FOR MATCHING CONTRIBUTIONS.—In the case of matching contributions (as defined in section 401(m)(4)(A)), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

"Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.''.

(b) AMENDMENT OF ERISA.—Section 203(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)) is amended—

(1) in paragraph (2), by striking ''A plan'' and inserting ''Except as provided in paragraph (4), a plan'', and

(2) by adding at the end the following:

''(4) In the case of matching contributions (as defined in section 401(m)(4)(A) of the Internal Revenue Code of 1986), paragraph (2) shall be applied—

''(A) by substituting '3 years' for '5 years' in subparagraph (A), and

''(B) by substituting the following table for the table contained in subparagraph (B):

"Years of service:	The nonforfeitable percentage is:
2	20
3	40
4	60
5	80
6	100.''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to contributions for plan years beginning after December 31, 2001.

(2) COLLECTIVE BARGAINING AGREEMENTS.—In the case of a plan maintained pursuant to

one or more collective bargaining agreements between employee representatives and one or more employers ratified by the date of the enactment of this Act, the amendments made by this section shall not apply to contributions on behalf of employees covered by any such agreement for plan years beginning before the earlier of—

(A) the later of—

(i) the date on which the last of such collective bargaining agreements terminates (determined without regard to any extension thereof on or after such date of the enactment); or

(ii) January 1, 2002; or

(B) January 1, 2006.

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

SEC. 304. MODIFICATIONS TO MINIMUM DISTRIBUTION RULES.

(a) LIFE EXPECTANCY TABLES.—The Secretary of the Treasury shall modify the life expectancy tables under the regulations relating to minimum distribution requirements under sections 401(a)(9), 408(a)(6) and (b)(3), 403(b)(10), and 457(d)(2) of the Internal Revenue Code to reflect current life expectancy.

(b) REPEAL OF RULE WHERE DISTRIBUTIONS HAD BEGUN BEFORE DEATH OCCURS.—

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

(2) CONFORMING CHANGES.—

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

(i) by striking ''FOR OTHER CASES'' in the heading; and

(ii) by striking ''the distribution of the employee's interest has begun in accordance with subparagraph (A)(ii)'' and inserting ''his entire interest has been distributed to him''.

(B) Clause (ii) of section 401(a)(9)(B) (as so redesignated) is amended by striking ''clause (ii)'' and inserting ''clause (i)''.

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

(i) by striking ''clause (iii)(I)'' and inserting ''clause (ii)(I)'';

(ii) by striking ''clause (iii)(III)'' in subclause (I) and inserting ''clause (ii)(III)'';

(iii) by striking ''the date on which the employee would have attained age 70½,'' in subclause (I) and inserting ''April 1 of the calendar year following the calendar year in which the spouse attains 70½,''; and

(iv) by striking ''the distributions to such spouse begin,'' in subclause (II) and inserting ''his entire interest has been distributed to him,''.

(3) EFFECTIVE DATE.—

(A) IN GENERAL.—Except as provided in subparagraph (B), the amendments made by this subsection shall apply to years beginning after December 31, 2001.

(B) DISTRIBUTIONS TO SURVIVING SPOUSE.—

(i) IN GENERAL.—In the case of an employee described in clause (ii), distributions to the surviving spouse of the employee shall not be required to commence prior to the date on which such distributions would have been required to begin under section 401(a)(9)(B) of the Internal Revenue Code of 1986 (as in effect on the day before the date of the enactment of this Act).

(ii) CERTAIN EMPLOYEES.—An employee is described in this clause if such employee dies before—

(I) the date of the enactment of this Act, and

(II) the required beginning date (within the meaning of section 401(a)(9)(C) of the Internal Revenue Code of 1986) of the employee.

(c) REDUCTION IN EXCISE TAX.—

(1) IN GENERAL.—Subsection (a) of section 4974 is amended by striking ''50 percent'' and inserting ''10 percent''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to years beginning after December 31, 2001.

SEC. 305. CLARIFICATION OF TAX TREATMENT OF DIVISION OF SECTION 457 PLAN BENEFITS UPON DIVORCE.

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

(1) by inserting ''or an eligible deferred compensation plan (within the meaning of section 457(b))'' after ''subsection (e))''; and

(2) in the heading, by striking ''GOVERNMENTAL AND CHURCH PLANS'' and inserting ''CERTAIN OTHER PLANS''.

(b) WAIVER OF CERTAIN DISTRIBUTION REQUIREMENTS.—Paragraph (10) of section 414(p) is amended by striking ''and section 409(d)'' and inserting ''section 409(d), and section 457(d)''.

(c) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—Subsection (p) of section 414 is amended by redesignating paragraph (12) as paragraph (13) and inserting after paragraph (11) the following new paragraph:

''(12) TAX TREATMENT OF PAYMENTS FROM A SECTION 457 PLAN.—If a distribution or payment from an eligible deferred compensation plan described in section 457(b) is made pursuant to a qualified domestic relations order, rules similar to the rules of section 402(e)(1)(A) shall apply to such distribution or payment.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to transfers, distributions, and payments made after December 31, 2001.

SEC. 306. PROVISIONS RELATING TO HARDSHIP DISTRIBUTIONS.

(a) SAFE HARBOR RELIEF.—

(1) IN GENERAL.—The Secretary of the Treasury shall revise the regulations relating to hardship distributions under section 401(k)(2)(B)(i)(IV) of the Internal Revenue Code of 1986 to provide that the period an employee is prohibited from making elective and employee contributions in order for a distribution to be deemed necessary to satisfy financial need shall be equal to 6 months.

(2) EFFECTIVE DATE.—The revised regulations under this subsection shall apply to years beginning after December 31, 2001.

(b) HARDSHIP DISTRIBUTIONS NOT TREATED AS ELIGIBLE ROLLOVER DISTRIBUTIONS.—

(1) MODIFICATION OF DEFINITION OF ELIGIBLE ROLLOVER.—Subparagraph (C) of section 402(c)(4) (relating to eligible rollover distribution) is amended to read as follows:

''(C) any distribution which is made upon hardship of the employee.''.

(2) EFFECTIVE DATE.—The amendment made by this subsection shall apply to distributions made after December 31, 2001.

SEC. 307. WAIVER OF TAX ON NONDEDUCTIBLE CONTRIBUTIONS FOR DOMESTIC OR SIMILAR WORKERS.

(a) IN GENERAL.—Section 4972(c)(6) (relating to exceptions to nondeductible contributions), as amended by section 502, is amended by striking ''and'' at the end of subparagraph (A), by striking the period and inserting '', and'' at the end of subparagraph (B), and by inserting after subparagraph (B) the following new subparagraph:

''(C) so much of the contributions to a simple retirement account (within the meaning of section 408(p)) or a simple plan (within the meaning of section 401(k)(11)) which are not deductible when contributed solely because such contributions are not made in connection with a trade or business of the employer.''

(b) EXCLUSION OF CERTAIN CONTRIBUTIONS.—Section 4972(c)(6) is amended by adding at the end the following new sentence: ''Subparagraph (C) shall not apply to contributions made on behalf of the employer or a member of the employer's family (as defined in section 447(e)(1)).''.

(c) NO INFERENCE.—Nothing in the amendments made by this section shall be construed to infer the proper treatment of nondeductible contributions under the laws in effect before such amendments.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

TITLE IV—INCREASING PORTABILITY FOR PARTICIPANTS

SEC. 401. ROLLOVERS ALLOWED AMONG VARIOUS TYPES OF PLANS.

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

(1) ROLLOVERS FROM SECTION 457 PLANS.—

(A) IN GENERAL.—Section 457(e) (relating to other definitions and special rules) is amended by adding at the end the following:

''(16) ROLLOVER AMOUNTS.—

''(A) GENERAL RULE.—In the case of an eligible deferred compensation plan established and maintained by an employer described in subsection (e)(1)(A), if—

''(i) any portion of the balance to the credit of an employee in such plan is paid to such employee in an eligible rollover distribution (within the meaning of section 402(c)(4) without regard to subparagraph (C) thereof),

''(ii) the employee transfers any portion of the property such employee receives in such distribution to an eligible retirement plan described in section 402(c)(8)(B), and

''(iii) in the case of a distribution of property other than money, the amount so transferred consists of the property distributed,

then such distribution (to the extent so transferred) shall not be includible in gross income for the taxable year in which paid.

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) (other than paragraph (4)(C)) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A).

''(C) REPORTING.—Rollovers under this paragraph shall be reported to the Secretary in the same manner as rollovers from qualified retirement plans (as defined in section 4974(c)).''.

(B) DEFERRAL LIMIT DETERMINED WITHOUT REGARD TO ROLLOVER AMOUNTS.—Section 457(b)(2) (defining eligible deferred compensation plan) is amended by inserting ''(other than rollover amounts)'' after ''taxable year''.

(C) DIRECT ROLLOVER.—Paragraph (1) of section 457(d) is amended by striking ''and'' at the end of subparagraph (A), by striking the period at the end of subparagraph (B) and inserting '', and'', and by inserting after subparagraph (B) the following:

''(C) in the case of a plan maintained by an employer described in subsection (e)(1)(A), the plan meets requirements similar to the requirements of section 401(a)(31).

Any amount transferred in a direct trustee-to-trustee transfer in accordance with section 401(a)(31) shall not be includible in gross income for the taxable year of transfer.''.

(D) WITHHOLDING.—

(i) Paragraph (12) of section 3401(a) is amended by adding at the end the following:

''(E) under or to an eligible deferred compensation plan which, at the time of such payment, is a plan described in section 457(b) maintained by an employer described in section 457(e)(1)(A); or''.

(ii) Paragraph (3) of section 3405(c) is amended to read as follows:

''(3) ELIGIBLE ROLLOVER DISTRIBUTION.—For purposes of this subsection, the term 'eligible rollover distribution' has the meaning given such term by section 402(f)(2)(A).''.

(iii) LIABILITY FOR WITHHOLDING.—Subparagraph (B) of section 3405(d)(2) is amended by striking ''or'' at the end of clause (ii), by striking the period at the end of clause (iii) and inserting '', or'', and by adding at the end the following:

''(iv) section 457(b) and which is maintained by an eligible employer described in section 457(e)(1)(A).''.

(2) ROLLOVERS TO SECTION 457 PLANS.—

(A) IN GENERAL.—Section 402(c)(8)(B) (defining eligible retirement plan) is amended by striking ''and'' at the end of clause (iii), by striking the period at the end of clause (iv) and inserting '', and'', and by inserting after clause (iv) the following new clause:

''(v) an eligible deferred compensation plan described in section 457(b) which is maintained by an eligible employer described in section 457(e)(1)(A).''.

(B) SEPARATE ACCOUNTING.—Section 402(c) is amended by adding at the end the following new paragraph:

''(10) SEPARATE ACCOUNTING.—Unless a plan described in clause (v) of paragraph (8)(B) agrees to separately account for amounts rolled into such plan from eligible retirement plans not described in such clause, the plan described in such clause may not accept transfers or rollovers from such retirement plans.''.

(C) 10 PERCENT ADDITIONAL TAX.—Subsection (t) of section 72 (relating to 10-percent additional tax on early distributions from qualified retirement plans) is amended by adding at the end the following new paragraph:

''(9) SPECIAL RULE FOR ROLLOVERS TO SECTION 457 PLANS.—For purposes of this subsection, a distribution from an eligible deferred compensation plan (as defined in section 457(b)) of an eligible employer described in section 457(e)(1)(A) shall be treated as a distribution from a qualified retirement plan described in section 4974(c)(1) to the extent that such distribution is attributable to an amount transferred to an eligible deferred compensation plan from a qualified retirement plan (as defined in section 4974(c)).''.

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

(1) ROLLOVERS FROM SECTION 403(b) PLANS.—Section 403(b)(8)(A)(ii) (relating to rollover amounts) is amended by striking ''such distribution'' and all that follows and inserting ''such distribution to an eligible retirement plan described in section 402(c)(8)(B), and''.

(2) ROLLOVERS TO SECTION 403(b) PLANS.—Section 402(c)(8)(B) (defining eligible retirement plan), as amended by subsection (a), is amended by striking ''and'' at the end of clause (iv), by striking the period at the end of clause (v) and inserting '', and'', and by inserting after clause (v) the following new clause:

''(vi) an annuity contract described in section 403(b).''.

(c) EXPANDED EXPLANATION TO RECIPIENTS OF ROLLOVER DISTRIBUTIONS.—Paragraph (1) of section 402(f) (relating to written explanation to recipients of distributions eligible for rollover treatment) is amended by striking ''and'' at the end of subparagraph (C), by striking the period at the end of subparagraph (D) and inserting '', and'', and by adding at the end the following new subparagraph:

''(E) of the provisions under which distributions from the eligible retirement plan receiving the distribution may be subject to restrictions and tax consequences which are different from those applicable to distributions from the plan making such distribution.''.

(d) SPOUSAL ROLLOVERS.—Section 402(c)(9) (relating to rollover where spouse receives distribution after death of employee) is amended by striking ''; except that'' and all that follows up to the end period.

(e) CONFORMING AMENDMENTS.—

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

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

(3) Section 401(a)(31)(B) is amended by striking ''and 403(a)(4)'' and inserting '', 403(a)(4), 403(b)(8), and 457(e)(16)''.

(4) Subparagraph (A) of section 402(f)(2) is amended by striking ''or paragraph (4) of section 403(a)'' and inserting '', paragraph (4) of section 403(a), subparagraph (A) of section 403(b)(8), or subparagraph (A) of section 457(e)(16)''.

(5) Paragraph (1) of section 402(f) is amended by striking ''from an eligible retirement plan''.

(6) Subparagraphs (A) and (B) of section 402(f)(1) are amended by striking ''another eligible retirement plan'' and inserting ''an eligible retirement plan''.

(7) Subparagraph (B) of section 403(b)(8) is amended to read as follows:

''(B) CERTAIN RULES MADE APPLICABLE.—The rules of paragraphs (2) through (7) and (9) of section 402(c) and section 402(f) shall apply for purposes of subparagraph (A), except that section 402(f) shall be applied to the payor in lieu of the plan administrator.''.

(8) Section 408(a)(1) is amended by striking ''or 403(b)(8),'' and inserting ''403(b)(8), or 457(e)(16)''.

(9) Subparagraphs (A) and (B) of section 415(b)(2) are each amended by striking ''and 408(d)(3)'' and inserting ''403(b)(8), 408(d)(3), and 457(e)(16)''.

(10) Section 415(c)(2) is amended by striking ''and 408(d)(3)'' and inserting ''408(d)(3), and 457(e)(16)''.

(11) Section 4973(b)(1)(A) is amended by striking ''or 408(d)(3)'' and inserting ''408(d)(3), or 457(e)(16)''.

(f) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

(2) REASONABLE NOTICE.—No penalty shall be imposed on a plan for the failure to provide the information required by the amendment made by subsection (c) with respect to any distribution made before the date that is 90 days after the date on which the Secretary of the Treasury issues a safe harbor rollover notice after the date of the enactment of this Act, if the administrator of such plan makes a reasonable attempt to comply with such requirement.

(3) SPECIAL RULE.—Notwithstanding any other provision of law, subsections (h)(3) and (h)(5) of section 1122 of the Tax Reform Act of 1986 shall not apply to any distribution from an eligible retirement plan (as defined in clause (iii) or (iv) of section 402(c)(8)(B) of the Internal Revenue Code of 1986) on behalf of an individual if there was a rollover to such plan on behalf of such individual which is permitted solely by reason of any amendment made by this section.

SEC. 402. ROLLOVERS OF IRAS INTO WORKPLACE RETIREMENT PLANS.

(a) IN GENERAL.—Subparagraph (A) of section 408(d)(3) (relating to rollover amounts) is amended by adding ''or'' at the end of clause (i), by striking clauses (ii) and (iii), and by adding at the end the following:

''(ii) the entire amount received (including money and any other property) is paid into an eligible retirement plan for the benefit of such individual not later than the 60th day after the date on which the payment or distribution is received, except that the maximum amount which may be paid into such plan may not exceed the portion of the amount received which is includible in gross income (determined without regard to this paragraph).

For purposes of clause (ii), the term 'eligible retirement plan' means an eligible retirement plan described in clause (iii), (iv), (v), or (vi) of section 402(c)(8)(B).''.

(b) CONFORMING AMENDMENTS.—

(1) Paragraph (1) of section 403(b) is amended by striking ''section 408(d)(3)(A)(iii)'' and inserting ''section 408(d)(3)(A)(ii)''.

(2) Clause (i) of section 408(d)(3)(D) is amended by striking ''(i), (ii), or (iii)'' and inserting ''(i) or (ii)''.

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

''(G) SIMPLE RETIREMENT ACCOUNTS.—In the case of any payment or distribution out of a simple retirement account (as defined in subsection (p)) to which section 72(t)(6) applies, this paragraph shall not apply unless such payment or distribution is paid into another simple retirement account.''.

(c) EFFECTIVE DATE; SPECIAL RULE.—

(1) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

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

SEC. 403. ROLLOVERS OF AFTER-TAX CONTRIBUTIONS.

(a) ROLLOVERS FROM EXEMPT TRUSTS.—Paragraph (2) of section 402(c) (relating to maximum amount which may be rolled over) is amended by adding at the end the following: ''The preceding sentence shall not apply to such distribution to the extent—

''(A) such portion is transferred in a direct trustee-to-trustee transfer to a qualified trust which is part of a plan which is a defined contribution plan and which agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(B) such portion is transferred to an eligible retirement plan described in clause (i) or (ii) of paragraph (8)(B).''.

(b) OPTIONAL DIRECT TRANSFER OF ELIGIBLE ROLLOVER DISTRIBUTIONS.—Subparagraph (B) of section 401(a)(31) (relating to limitation) is amended by adding at the end the following:

''The preceding sentence shall not apply to such distribution if the plan to which such distribution is transferred—

''(i) agrees to separately account for amounts so transferred, including separately accounting for the portion of such distribution which is includible in gross income and the portion of such distribution which is not so includible, or

''(ii) is an eligible retirement plan described in clause (i) or (ii) of section 402(c)(8)(B).''.

(c) RULES FOR APPLYING SECTION 72 TO IRAS.—Paragraph (3) of section 408(d) (relating to special rules for applying section 72) is amended by inserting at the end the following:

''(H) APPLICATION OF SECTION 72.—

''(i) IN GENERAL.—If—

''(I) a distribution is made from an individual retirement plan, and

''(II) a rollover contribution is made to an eligible retirement plan described in section 402(c)(8)(B)(iii), (iv), (v), or (vi) with respect to all or part of such distribution,

then, notwithstanding paragraph (2), the rules of clause (ii) shall apply for purposes of applying section 72.

''(ii) APPLICABLE RULES.—In the case of a distribution described in clause (i)—

''(I) section 72 shall be applied separately to such distribution,

''(II) notwithstanding the pro rata allocation of income on, and investment in, the contract to distributions under section 72, the portion of such distribution rolled over to an eligible retirement plan described in clause (i) shall be treated as from income on the contract (to the extent of the aggregate income on the contract from all individual retirement plans of the distributee), and

''(III) appropriate adjustments shall be made in applying section 72 to other distributions in such taxable year and subsequent taxable years.''.

(d) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 404. HARDSHIP EXCEPTION TO 60-DAY RULE.

(a) EXEMPT TRUSTS.—Paragraph (3) of section 402(c) (relating to transfer must be made within 60 days of receipt) is amended to read as follows:

''(3) TRANSFER MUST BE MADE WITHIN 60 DAYS OF RECEIPT.—

''(A) IN GENERAL.—Except as provided in subparagraph (B), paragraph (1) shall not apply to any transfer of a distribution made after the 60th day following the day on which the distributee received the property distributed.

''(B) HARDSHIP EXCEPTION.—The Secretary may waive the 60-day requirement under subparagraph (A) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

(b) IRAS.—Paragraph (3) of section 408(d) (relating to rollover contributions), as amended by section 403, is amended by adding after subparagraph (H) the following new subparagraph:

''(I) WAIVER OF 60-DAY REQUIREMENT.—The Secretary may waive the 60-day requirement under subparagraphs (A) and (D) where the failure to waive such requirement would be against equity or good conscience, including casualty, disaster, or other events beyond the reasonable control of the individual subject to such requirement.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 405. TREATMENT OF FORMS OF DISTRIBUTION.

(a) PLAN TRANSFERS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Paragraph (6) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended by adding at the end the following:

''(D) PLAN TRANSFERS.—

''(i) IN GENERAL.—A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the 'transferor plan') to the extent that—

''(I) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan,

''(II) the terms of both the transferor plan and the transferee plan authorize the transfer described in subclause (I),

''(III) the transfer described in subclause (I) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan,

''(IV) the election described in subclause (III) was made after the participant or beneficiary received a notice describing the consequences of making the election, and

''(V) the transferee plan allows the participant or beneficiary described in subclause (III) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(ii) EXCEPTION.—Clause (i) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(E) ELIMINATION OF FORM OF DISTRIBUTION.—Except to the extent provided in regulations, a defined contribution plan shall not be treated as failing to meet the requirements of this section merely because of the elimination of a form of distribution previously available thereunder. This subparagraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

''(i) a single sum payment is available to such participant at the same time or times as the form of distribution being eliminated, and

''(ii) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.''.

(2) AMENDMENT OF ERISA.—Section 204(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)) is amended by adding at the end the following:

''(4)(A) A defined contribution plan (in this subparagraph referred to as the 'transferee plan') shall not be treated as failing to meet the requirements of this subsection merely because the transferee plan does not provide some or all of the forms of distribution previously available under another defined contribution plan (in this subparagraph referred to as the 'transferor plan') to the extent that—

''(i) the forms of distribution previously available under the transferor plan applied to the account of a participant or beneficiary under the transferor plan that was transferred from the transferor plan to the transferee plan pursuant to a direct transfer rather than pursuant to a distribution from the transferor plan;

''(ii) the terms of both the transferor plan and the transferee plan authorize the transfer described in clause (i);

''(iii) the transfer described in clause (i) was made pursuant to a voluntary election by the participant or beneficiary whose account was transferred to the transferee plan;

''(iv) the election described in clause (iii) was made after the participant or beneficiary received a notice describing the consequences of making the election; and

''(v) the transferee plan allows the participant or beneficiary described in clause (iii) to receive any distribution to which the participant or beneficiary is entitled under the transferee plan in the form of a single sum distribution.

''(B) Subparagraph (A) shall apply to plan mergers and other transactions having the effect of a direct transfer, including consolidations of benefits attributable to different employers within a multiple employer plan.

''(5) Except to the extent provided in regulations promulgated by the Secretary of the Treasury, a defined contribution plan shall not be treated as failing to meet the requirements of this subsection merely because of the elimination of a form of distribution previously available thereunder. This paragraph shall not apply to the elimination of a form of distribution with respect to any participant unless—

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

''(B) such single sum payment is based on the same or greater portion of the participant's account as the form of distribution being eliminated.''.

(3) EFFECTIVE DATE.—The amendments made by this subsection shall apply to years beginning after December 31, 2001.

(b) REGULATIONS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Paragraph (6)(B) of section 411(d) (relating to accrued benefit not to be decreased by amendment) is amended by inserting after the second sentence the following new sentence: ''The Secretary shall by regulations provide that this subparagraph shall not apply to any plan amendment which reduces or eliminates benefits or subsidies which create significant burdens or complexities for the plan and plan participants and does not adversely affect the rights of any participant in a more than de minimis manner.''.

(2) AMENDMENT OF ERISA.—Section 204(g)(2) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)(2)) is amended by inserting before the last sentence the following new sentence: ''The Secretary of the Treasury shall by regulations provide that this paragraph shall not apply to any plan amendment which reduces or eliminates benefits or subsidies which create significant burdens or complexities for the plan and plan participants and does not adversely affect the rights of any participant in a more than de minimis manner.''.

(3) SECRETARY DIRECTED.—Not later than December 31, 2003, the Secretary of the Treasury is directed to issue regulations under section 411(d)(6) of the Internal Revenue Code of 1986 and section 204(g) of the Employee Retirement Income Security Act of 1974, including the regulations required by the amendment made by this subsection. Such regulations shall apply to plan years beginning after December 31, 2003, or such earlier date as is specified by the Secretary of the Treasury.

SEC. 406. RATIONALIZATION OF RESTRICTIONS ON DISTRIBUTIONS.

(a) MODIFICATION OF SAME DESK EXCEPTION.—

(1) SECTION 401(k).—

(A) Section 401(k)(2)(B)(i)(I) (relating to qualified cash or deferred arrangements) is amended by striking ''separation from service'' and inserting ''severance from employment''.

(B) Subparagraph (A) of section 401(k)(10) (relating to distributions upon termination of plan or disposition of assets or subsidiary) is amended to read as follows:

''(A) IN GENERAL.—An event described in this subparagraph is the termination of the plan without establishment or maintenance of another defined contribution plan (other than an employee stock ownership plan as defined in section 4975(e)(7)).''.

(C) Section 401(k)(10) is amended—

(i) in subparagraph (B)—

(I) by striking ''An event'' in clause (i) and inserting ''A termination''; and

(II) by striking ''the event'' in clause (i) and inserting ''the termination'';

(ii) by striking subparagraph (C); and

(iii) by striking ''OR DISPOSITION OF ASSETS OR SUBSIDIARY'' in the heading.

(2) SECTION 403(b).—

(A) Paragraphs (7)(A)(ii) and (11)(A) of section 403(b) are each amended by striking ''separates from service'' and inserting ''has a severance from employment''.

(B) The heading for paragraph (11) of section 403(b) is amended by striking ''SEPARATION FROM SERVICE'' and inserting ''SEVERANCE FROM EMPLOYMENT''.

(3) SECTION 457.—Clause (ii) of section 457(d)(1)(A) is amended by striking ''is separated from service'' and inserting ''has a severance from employment''.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 407. PURCHASE OF SERVICE CREDIT IN GOVERNMENTAL DEFINED BENEFIT PLANS.

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

''(13) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

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

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

(b) 457 PLANS.—Subsection (e) of section 457 is amended by adding after paragraph (16) the following new paragraph:

''(17) TRUSTEE-TO-TRUSTEE TRANSFERS TO PURCHASE PERMISSIVE SERVICE CREDIT.—No amount shall be includible in gross income by reason of a direct trustee-to-trustee transfer to a defined benefit governmental plan (as defined in section 414(d)) if such transfer is—

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

''(B) a repayment to which section 415 does not apply by reason of subsection (k)(3) thereof.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to trustee-to-trustee transfers after December 31, 2001.

SEC. 408. EMPLOYERS MAY DISREGARD ROLLOVERS FOR PURPOSES OF CASH-OUT AMOUNTS.

(a) QUALIFIED PLANS.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—Section 411(a)(11) (relating to restrictions on certain mandatory distributions) is amended by adding at the end the following:

''(D) SPECIAL RULE FOR ROLLOVER CONTRIBUTIONS.—A plan shall not fail to meet the requirements of this paragraph if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16).''.

(2) AMENDMENT OF ERISA.—Section 203(e) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended by adding at the end the following:

''(4) A plan shall not fail to meet the requirements of this subsection if, under the terms of the plan, the present value of the nonforfeitable accrued benefit is determined without regard to that portion of such benefit which is attributable to rollover contributions (and earnings allocable thereto). For purposes of this subparagraph, the term 'rollover contributions' means any rollover contribution under sections 402(c), 403(a)(4), 403(b)(8), 408(d)(3)(A)(ii), and 457(e)(16) of the Internal Revenue Code of 1986.''.

(b) ELIGIBLE DEFERRED COMPENSATION PLANS.—Clause (i) of section 457(e)(9)(A) is amended by striking ''such amount'' and inserting ''the portion of such amount which is not attributable to rollover contributions (as defined in section 411(a)(11)(D))''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

SEC. 409. MINIMUM DISTRIBUTION AND INCLUSION REQUIREMENTS FOR SECTION 457 PLANS.

(a) MINIMUM DISTRIBUTION REQUIREMENTS.—Paragraph (2) of section 457(d) (relating to distribution requirements) is amended to read as follows:

''(2) MINIMUM DISTRIBUTION REQUIREMENTS.—A plan meets the minimum distribution requirements of this paragraph if such plan meets the requirements of section 401(a)(9).''.

(b) INCLUSION IN GROSS INCOME.—

(1) YEAR OF INCLUSION.—Subsection (a) of section 457 (relating to year of inclusion in gross income) is amended to read as follows:

''(a) YEAR OF INCLUSION IN GROSS INCOME.—

''(1) IN GENERAL.—Any amount of compensation deferred under an eligible deferred compensation plan, and any income attributable to the amounts so deferred, shall be includible in gross income only for the taxable year in which such compensation or other income—

''(A) is paid to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(A), and

''(B) is paid or otherwise made available to the participant or other beneficiary, in the case of a plan of an eligible employer described in subsection (e)(1)(B).

''(2) SPECIAL RULE FOR ROLLOVER AMOUNTS.—To the extent provided in section 72(t)(9), section 72(t) shall apply to any amount includible in gross income under this subsection.''.

(2) CONFORMING AMENDMENTS.—

(A) So much of paragraph (9) of section 457(e) as precedes subparagraph (A) is amended to read as follows:

''(9) BENEFITS OF TAX EXEMPT ORGANIZATION PLANS NOT TREATED AS MADE AVAILABLE BY REASON OF CERTAIN ELECTIONS, ETC.—In the case of an eligible deferred compensation plan of an employer described in subsection (e)(1)(B)—''.

(B) Section 457(d) is amended by adding at the end the following new paragraph:

''(3) SPECIAL RULE FOR GOVERNMENT PLAN.—An eligible deferred compensation plan of an employer described in subsection (e)(1)(A) shall not be treated as failing to meet the requirements of this subsection solely by reason of making a distribution described in subsection (e)(9)(A).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to distributions after December 31, 2001.

TITLE V—STRENGTHENING PENSION SECURITY AND ENFORCEMENT

SEC. 501. REPEAL OF PERCENT OF CURRENT LIABILITY FUNDING LIMIT.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—Section 412(c)(7) (relating to full-funding limitation) is amended—

(1) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2004, the applicable percentage''; and

(2) by amending subparagraph (F) to read as follows:

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

''In the case of any plan year beginning in—	**The applicable percentage is—**
2002	165
2003	170.''.

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

(1) by striking ''the applicable percentage'' in subparagraph (A)(i)(I) and inserting ''in the case of plan years beginning before January 1, 2004, the applicable percentage''; and

(2) by amending subparagraph (F) to read as follows:

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

''In the case of any plan year beginning in—	**The applicable percentage is—**
2002	165
2003	170.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 502. MAXIMUM CONTRIBUTION DEDUCTION RULES MODIFIED AND APPLIED TO ALL DEFINED BENEFIT PLANS.

(a) IN GENERAL.—Subparagraph (D) of section 404(a)(1) (relating to special rule in case of certain plans) is amended to read as follows:

''(D) SPECIAL RULE IN CASE OF CERTAIN PLANS.—

''(i) IN GENERAL.—In the case of any defined benefit plan, except as provided in regulations, the maximum amount deductible under the limitations of this paragraph shall not be less than the unfunded termination liability (determined as if the proposed termination date referred to in section 4041(b)(2)(A)(i)(II) of the Employee Retirement Income Security Act of 1974 were the last day of the plan year).

''(ii) PLANS WITH LESS THAN 100 PARTICIPANTS.—For purposes of this subparagraph, in the case of a plan which has less than 100 participants for the plan year, termination liability shall not include the liability attributable to benefit increases for highly compensated employees (as defined in section 414(q)) resulting from a plan amendment which is made or becomes effective, whichever is later, within the last 2 years before the termination date.

''(iii) RULE FOR DETERMINING NUMBER OF PARTICIPANTS.—For purposes of determining whether a plan has more than 100 participants, all defined benefit plans maintained by the same employer (or any member of such employer's controlled group (within the meaning of section 412(l)(8)(C))) shall be treated as one plan, but only employees of such member or employer shall be taken into account.

''(iv) PLANS MAINTAINED BY PROFESSIONAL SERVICE EMPLOYERS.—Clause (i) shall not apply to a plan described in section 4021(b)(13) of the Employee Retirement Income Security Act of 1974.''.

(b) CONFORMING AMENDMENT.—Paragraph (6) of section 4972(c), as amended by section 207, is amended to read as follows:

''(6) EXCEPTIONS.—In determining the amount of nondeductible contributions for any taxable year, there shall not be taken into account so much of the contributions to one or more defined contribution plans which are not deductible when contributed solely because of section 404(a)(7) as does not exceed the greater of—

''(A) the amount of contributions not in excess of 6 percent of compensation (within

the meaning of section 404(a)) paid or accrued (during the taxable year for which the contributions were made) to beneficiaries under the plans, or

''(B) the sum of—

''(i) the amount of contributions described in section 401(m)(4)(A), plus

''(ii) the amount of contributions described in section 402(g)(3)(A).

For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to a defined benefit plan and then to amounts described in subparagraph (B).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 503. EXCISE TAX RELIEF FOR SOUND PENSION FUNDING.

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

''(7) DEFINED BENEFIT PLAN EXCEPTION.—In determining the amount of nondeductible contributions for any taxable year, an employer may elect for such year not to take into account any contributions to a defined benefit plan except to the extent that such contributions exceed the full-funding limitation (as defined in section 412(c)(7), determined without regard to subparagraph (A)(i)(I) thereof). For purposes of this paragraph, the deductible limits under section 404(a)(7) shall first be applied to amounts contributed to defined contribution plans and then to amounts described in this paragraph. If an employer makes an election under this paragraph for a taxable year, paragraph (6) shall not apply to such employer for such taxable year.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 504. EXCISE TAX ON FAILURE TO PROVIDE NOTICE BY DEFINED BENEFIT PLANS SIGNIFICANTLY REDUCING FUTURE BENEFIT ACCRUALS.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—

(1) IN GENERAL.—Chapter 43 (relating to qualified pension, etc., plans) is amended by adding at the end the following new section:

''SEC. 4980F. FAILURE OF APPLICABLE PLANS REDUCING BENEFIT ACCRUALS TO SATISFY NOTICE REQUIREMENTS.

''(a) IMPOSITION OF TAX.—There is hereby imposed a tax on the failure of any applicable pension plan to meet the requirements of subsection (e) with respect to any applicable individual.

''(b) AMOUNT OF TAX.—

''(1) IN GENERAL.—The amount of the tax imposed by subsection (a) on any failure with respect to any applicable individual shall be $100 for each day in the noncompliance period with respect to such failure.

''(2) NONCOMPLIANCE PERIOD.—For purposes of this section, the term 'noncompliance period' means, with respect to any failure, the period beginning on the date the failure first occurs and ending on the date the notice to which the failure relates is provided or the failure is otherwise corrected.

''(c) LIMITATIONS ON AMOUNT OF TAX.—

''(1) TAX NOT TO APPLY WHERE FAILURE NOT DISCOVERED AND REASONABLE DILIGENCE EXERCISED.—No tax shall be imposed by subsection (a) on any failure during any period for which it is established to the satisfaction of the Secretary that any person subject to liability for the tax under subsection (d) did not know that the failure existed and exercised reasonable diligence to meet the requirements of subsection (e).

''(2) TAX NOT TO APPLY TO FAILURES CORRECTED WITHIN 30 DAYS.—No tax shall be imposed by subsection (a) on any failure if—

''(A) any person subject to liability for the tax under subsection (d) exercised reasonable diligence to meet the requirements of subsection (e), and

''(B) such person provides the notice described in subsection (e) during the 30-day period beginning on the first date such person knew, or exercising reasonable diligence would have known, that such failure existed.

''(3) OVERALL LIMITATION FOR UNINTENTIONAL FAILURES.—

''(A) IN GENERAL.—If the person subject to liability for tax under subsection (d) exercised reasonable diligence to meet the requirements of subsection (e), the tax imposed by subsection (a) for failures during the taxable year of the employer (or, in the case of a multiemployer plan, the taxable year of the trust forming part of the plan) shall not exceed $500,000. For purposes of the preceding sentence, all multiemployer plans of which the same trust forms a part shall be treated as 1 plan.

''(B) TAXABLE YEARS IN THE CASE OF CERTAIN CONTROLLED GROUPS.—For purposes of this paragraph, if all persons who are treated as a single employer for purposes of this section do not have the same taxable year, the taxable years taken into account shall be determined under principles similar to the principles of section 1561.

''(4) WAIVER BY SECRETARY.—In the case of a failure which is due to reasonable cause and not to willful neglect, the Secretary may waive part or all of the tax imposed by subsection (a) to the extent that the payment of such tax would be excessive or otherwise inequitable relative to the failure involved.

''(d) LIABILITY FOR TAX.—The following shall be liable for the tax imposed by subsection (a):

''(1) In the case of a plan other than a multiemployer plan, the employer.

''(2) In the case of a multiemployer plan, the plan.

''(e) NOTICE REQUIREMENTS FOR PLANS SIGNIFICANTLY REDUCING BENEFIT ACCRUALS.—

''(1) IN GENERAL.—If an applicable pension plan is amended to provide for a significant reduction in the rate of future benefit accrual, the plan administrator shall provide written notice to each applicable individual (and to each employee organization representing applicable individuals).

''(2) NOTICE.—The notice required by paragraph (1) shall be written in a manner calculated to be understood by the average plan participant and shall provide sufficient information (as determined in accordance with regulations prescribed by the Secretary) to allow applicable individuals to understand the effect of the plan amendment. The Secretary may provide a simplified form of notice for, or exempt from any notice requirement, a plan—

''(A) which has fewer than 100 participants who have accrued a benefit under the plan, or

''(B) which offers participants the option to choose between the new benefit formula and the old benefit formula.

''(3) TIMING OF NOTICE.—Except as provided in regulations, the notice required by paragraph (1) shall be provided within a reasonable time before the effective date of the plan amendment.

''(4) DESIGNEES.—Any notice under paragraph (1) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.

''(5) NOTICE BEFORE ADOPTION OF AMENDMENT.—A plan shall not be treated as failing to meet the requirements of paragraph (1) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

''(f) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) APPLICABLE INDIVIDUAL.—The term 'applicable individual' means, with respect to any plan amendment—

''(A) each participant in the plan, and

''(B) any beneficiary who is an alternate payee (within the meaning of section 414(p)(8)) under an applicable qualified domestic relations order (within the meaning of section 414(p)(1)(A)),

whose rate of future benefit accrual under the plan may reasonably be expected to be significantly reduced by such plan amendment.

''(2) APPLICABLE PENSION PLAN.—The term 'applicable pension plan' means—

''(A) any defined benefit plan, or

''(B) an individual account plan which is subject to the funding standards of section 412.

Such term shall not include a governmental plan (within the meaning of section 414(d)) or a church plan (within the meaning of section 414(e)) with respect to which the election provided by section 410(d) has not been made.

''(3) EARLY RETIREMENT.—A plan amendment which eliminates or significantly reduces any early retirement benefit or retirement-type subsidy (within the meaning of section 411(d)(6)(B)(i)) shall be treated as having the effect of significantly reducing the rate of future benefit accrual.

''(g) NEW TECHNOLOGIES.—The Secretary may by regulations allow any notice under subsection (e) to be provided by using new technologies.''.

(2) CLERICAL AMENDMENT.—The table of sections for chapter 43 is amended by adding at the end the following new item:

''Sec. 4980F. Failure of applicable plans reducing benefit accruals to satisfy notice requirements.''.

(b) AMENDMENT OF ERISA.—Section 204(h) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(h)) is amended by adding at the end the following new paragraphs:

''(3)(A) An applicable pension plan to which paragraph (1) applies shall not be treated as meeting the requirements of such paragraph unless, in addition to any notice required to be provided to an individual or organization under such paragraph, the plan administrator provides the notice described in subparagraph (B) to each applicable individual (and to each employee organization representing applicable individuals).

''(B) The notice required by subparagraph (A) shall be written in a manner calculated to be understood by the average plan participant and shall provide sufficient information (as determined in accordance with regulations prescribed by the Secretary of the Treasury) to allow applicable individuals to understand the effect of the plan amendment. The Secretary of the Treasury may provide a simplified form of notice for, or exempt from any notice requirement, a plan—

''(i) which has fewer than 100 participants who have accrued a benefit under the plan, or

''(ii) which offers participants the option to choose between the new benefit formula and the old benefit formula.

''(C) Except as provided in regulations prescribed by the Secretary of the Treasury, the notice required by subparagraph (A) shall be provided within a reasonable time before the effective date of the plan amendment.

''(D) Any notice under subparagraph (A) may be provided to a person designated, in writing, by the person to which it would otherwise be provided.

''(E) A plan shall not be treated as failing to meet the requirements of subparagraph

(A) merely because notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

''(F) The Secretary of the Treasury may by regulations allow any notice under this paragraph to be provided by using new technologies.

''(4) For purposes of paragraph (3)—

''(A) The term 'applicable individual' means, with respect to any plan amendment—

''(i) each participant in the plan; and

''(ii) any beneficiary who is an alternate payee (within the meaning of section 206(d)(3)(K)) under an applicable qualified domestic relations order (within the meaning of section 206(d)(3)(B)(i)),

whose rate of future benefit accrual under the plan may reasonably be expected to be significantly reduced by such plan amendment.

''(B) The term 'applicable pension plan' means—

''(i) any defined benefit plan; or

''(ii) an individual account plan which is subject to the funding standards of section 412 of the Internal Revenue Code of 1986.

''(C) A plan amendment which eliminates or significantly reduces any early retirement benefit or retirement-type subsidy (within the meaning of subsection (g)(2)(A)) shall be treated as having the effect of significantly reducing the rate of future benefit accrual.''.

(c) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan amendments taking effect on or after the date of the enactment of this Act.

(2) TRANSITION.—Until such time as the Secretary of the Treasury issues regulations under sections 4980F(e)(2) and (3) of the Internal Revenue Code of 1986, and section 204(h)(3) of the Employee Retirement Income Security Act of 1974, as added by the amendments made by this section, a plan shall be treated as meeting the requirements of such sections if it makes a good faith effort to comply with such requirements.

(3) SPECIAL NOTICE RULE.—

(A) IN GENERAL.—The period for providing any notice required by the amendments made by this section shall not end before the date which is 3 months after the date of the enactment of this Act.

(B) REASONABLE NOTICE.—The amendments made by this section shall not apply to any plan amendment taking effect on or after the date of the enactment of this Act if, before April 25, 2001, notice was provided to participants and beneficiaries adversely affected by the plan amendment (or their representatives) which was reasonably expected to notify them of the nature and effective date of the plan amendment.

(d) STUDY.—The Secretary of the Treasury shall prepare a report on the effects of conversions of traditional defined benefit plans to cash balance or hybrid formula plans. Such study shall examine the effect of such conversions on longer service participants, including the incidence and effects of ''wear away'' provisions under which participants earn no additional benefits for a period of time after the conversion. As soon as practicable, but not later than 60 days after the date of the enactment of this Act, the Secretary shall submit such report, together with recommendations thereon, to the Committee on Ways and Means and the Committee on Education and the Workforce of the House of Representatives and the Committee on Finance and the Committee on Health, Education, Labor, and Pensions of the Senate.

SEC. 505. TREATMENT OF MULTIEMPLOYER PLANS UNDER SECTION 415.

(a) COMPENSATION LIMIT.—

(1) IN GENERAL.—Paragraph (11) of section 415(b) (relating to limitation for defined benefit plans) is amended to read as follows:

''(11) SPECIAL LIMITATION RULE FOR GOVERNMENTAL AND MULTIEMPLOYER PLANS.—In the case of a governmental plan (as defined in section 414(d)) or a multiemployer plan (as defined in section 414(f)), subparagraph (B) of paragraph (1) shall not apply.''.

(2) CONFORMING AMENDMENT.—Section 415(b)(7) (relating to benefits under certain collectively bargained plans) is amended by inserting ''(other than a multiemployer plan)'' after ''defined benefit plan'' in the matter preceding subparagraph (A).

(b) COMBINING AND AGGREGATION OF PLANS.—

(1) COMBINING OF PLANS.—Subsection (f) of section 415 (relating to combining of plans) is amended by adding at the end the following:

''(3) EXCEPTION FOR MULTIEMPLOYER PLANS.—Notwithstanding paragraph (1) and subsection (g), a multiemployer plan (as defined in section 414(f)) shall not be combined or aggregated—

''(A) with any other plan which is not a multiemployer plan for purposes of applying subsection (b)(1)(B) to such other plan, or

''(B) with any other multiemployer plan for purposes of applying the limitations established in this section.''.

(2) CONFORMING AMENDMENT FOR AGGREGATION OF PLANS.—Subsection (g) of section 415 (relating to aggregation of plans) is amended by striking ''The Secretary'' and inserting ''Except as provided in subsection (f)(3), the Secretary''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 506. PROTECTION OF INVESTMENT OF EMPLOYEE CONTRIBUTIONS TO 401(K) PLANS.

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

''(b) EFFECTIVE DATE.—

''(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to elective deferrals for plan years beginning after December 31, 1998.

''(2) NONAPPLICATION TO PREVIOUSLY ACQUIRED PROPERTY.—The amendments made by this section shall not apply to any elective deferral which is invested in assets consisting of qualifying employer securities, qualifying employer real property, or both, if such assets were acquired before January 1, 1999.''.

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

SEC. 507. PERIODIC PENSION BENEFITS STATEMENTS.

(a) IN GENERAL.—Section 105(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025 (a)) is amended to read as follows:

''(a)(1) Except as provided in paragraph (2)—

''(A) the administrator of an individual account plan shall furnish a pension benefit statement—

''(i) to a plan participant at least once annually, and

''(ii) to a plan beneficiary upon written request, and

''(B) the administrator of a defined benefit plan shall furnish a pension benefit statement—

''(i) at least once every 3 years to each participant with a nonforfeitable accrued benefit who is employed by the employer maintaining the plan at the time the statement is furnished to participants, and

''(ii) to a plan participant or plan beneficiary of the plan upon written request.

''(2) Notwithstanding paragraph (1), the administrator of a plan to which more than 1 unaffiliated employer is required to contribute shall only be required to furnish a pension benefit statement under paragraph (1) upon the written request of a participant or beneficiary of the plan.

''(3) A pension benefit statement under paragraph (1)—

''(A) shall indicate, on the basis of the latest available information—

''(i) the total benefits accrued, and

''(ii) the nonforfeitable pension benefits, if any, which have accrued, or the earliest date on which benefits will become nonforfeitable,

''(B) shall be written in a manner calculated to be understood by the average plan participant, and

''(C) may be provided in written, electronic, telephonic, or other appropriate form.

''(4)(A) In the case of a defined benefit plan, the requirements of paragraph (1)(B)(i) shall be treated as met with respect to a participant if the administrator provides the participant at least once each year with notice of the availability of the pension benefit statement and the ways in which the participant may obtain such statement. Such notice shall be provided in written, electronic, telephonic, or other appropriate form, and may be included with other communications to the participant if done in a manner reasonably designed to attract the attention of the participant.

''(B) The Secretary may provide that years in which no employee or former employee benefits (within the meaning of section 410(b) of the Internal Revenue Code of 1986) under the plan need not be taken into account in determining the 3-year period under paragraph (1)(B)(i).''.

(b) CONFORMING AMENDMENTS.—

(1) Section 105 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1025) is amended by striking subsection (d).

(2) Section 105(b) of such Act (29 U.S.C. 1025(b)) is amended to read as follows:

''(b) In no case shall a participant or beneficiary of a plan be entitled to more than one statement described in subsection (a)(1)(A) or (a)(1)(B)(ii), whichever is applicable, in any 12-month period.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2002.

SEC. 508. PROHIBITED ALLOCATIONS OF STOCK IN S CORPORATION ESOP.

(a) IN GENERAL.—Section 409 (relating to qualifications for tax credit employee stock ownership plans) is amended by redesignating subsection (p) as subsection (q) and by inserting after subsection (o) the following new subsection:

''(p) PROHIBITED ALLOCATIONS OF SECURITIES IN AN S CORPORATION.—

''(1) IN GENERAL.—An employee stock ownership plan holding employer securities consisting of stock in an S corporation shall provide that no portion of the assets of the plan attributable to (or allocable in lieu of) such employer securities may, during a nonallocation year, accrue (or be allocated directly or indirectly under any plan of the employer meeting the requirements of section 401(a)) for the benefit of any disqualified person.

''(2) FAILURE TO MEET REQUIREMENTS.—

''(A) IN GENERAL.—If a plan fails to meet the requirements of paragraph (1), the plan shall be treated as having distributed to any disqualified person the amount allocated to the account of such person in violation of paragraph (1) at the time of such allocation.

''(B) CROSS REFERENCE.—

''For excise tax relating to violations of paragraph (1) and ownership of synthetic equity, see section 4979A.

''(3) NONALLOCATION YEAR.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'nonallocation year' means any plan year of an employee stock ownership plan if, at any time during such plan year—

''(i) such plan holds employer securities consisting of stock in an S corporation, and

''(ii) disqualified persons own at least 50 percent of the number of shares of stock in the S corporation.

''(B) ATTRIBUTION RULES.—For purposes of subparagraph (A)—

''(i) IN GENERAL.—The rules of section 318(a) shall apply for purposes of determining ownership, except that—

''(I) in applying paragraph (1) thereof, the members of an individual's family shall include members of the family described in paragraph (4)(D), and

''(II) paragraph (4) thereof shall not apply.

''(ii) DEEMED-OWNED SHARES.—Notwithstanding the employee trust exception in section 318(a)(2)(B)(i), individual shall be treated as owning deemed-owned shares of the individual.

Solely for purposes of applying paragraph (5), this subparagraph shall be applied after the attribution rules of paragraph (5) have been applied.

''(4) DISQUALIFIED PERSON.—For purposes of this subsection—

''(A) IN GENERAL.—The term 'disqualified person' means any person if—

''(i) the aggregate number of deemed-owned shares of such person and the members of such person's family is at least 20 percent of the number of deemed-owned shares of stock in the S corporation, or

''(ii) in the case of a person not described in clause (i), the number of deemed-owned shares of such person is at least 10 percent of the number of deemed-owned shares of stock in such corporation.

''(B) TREATMENT OF FAMILY MEMBERS.—In the case of a disqualified person described in subparagraph (A)(i), any member of such person's family with deemed-owned shares shall be treated as a disqualified person if not otherwise treated as a disqualified person under subparagraph (A).

''(C) DEEMED-OWNED SHARES.—

''(i) IN GENERAL.—The term 'deemed-owned shares' means, with respect to any person—

''(I) the stock in the S corporation constituting employer securities of an employee stock ownership plan which is allocated to such person under the plan, and

''(II) such person's share of the stock in such corporation which is held by such plan but which is not allocated under the plan to participants.

''(ii) PERSON'S SHARE OF UNALLOCATED STOCK.—For purposes of clause (i)(II), a person's share of unallocated S corporation stock held by such plan is the amount of the unallocated stock which would be allocated to such person if the unallocated stock were allocated to all participants in the same proportions as the most recent stock allocation under the plan.

''(D) MEMBER OF FAMILY.—For purposes of this paragraph, the term 'member of the family' means, with respect to any individual—

''(i) the spouse of the individual,

''(ii) an ancestor or lineal descendant of the individual or the individual's spouse,

''(iii) a brother or sister of the individual or the individual's spouse and any lineal descendant of the brother or sister, and

''(iv) the spouse of any individual described in clause (ii) or (iii).

A spouse of an individual who is legally separated from such individual under a decree of divorce or separate maintenance shall not be treated as such individual's spouse for purposes of this subparagraph.

''(5) TREATMENT OF SYNTHETIC EQUITY.—For purposes of paragraphs (3) and (4), in the case of a person who owns synthetic equity in the S corporation, except to the extent provided in regulations, the shares of stock in such corporation on which such synthetic equity is based shall be treated as outstanding stock in such corporation and deemed-owned shares of such person if such treatment of synthetic equity of 1 or more such persons results in—

''(A) the treatment of any person as a disqualified person, or

''(B) the treatment of any year as a nonallocation year.

For purposes of this paragraph, synthetic equity shall be treated as owned by a person in the same manner as stock is treated as owned by a person under the rules of paragraphs (2) and (3) of section 318(a). If, without regard to this paragraph, a person is treated as a disqualified person or a year is treated as a nonallocation year, this paragraph shall not be construed to result in the person or year not being so treated.

''(6) DEFINITIONS.—For purposes of this subsection—

''(A) EMPLOYEE STOCK OWNERSHIP PLAN.—The term 'employee stock ownership plan' has the meaning given such term by section 4975(e)(7).

''(B) EMPLOYER SECURITIES.—The term 'employer security' has the meaning given such term by section 409(l).

''(C) SYNTHETIC EQUITY.—The term 'synthetic equity' means any stock option, warrant, restricted stock, deferred issuance stock right, or similar interest or right that gives the holder the right to acquire or receive stock of the S corporation in the future. Except to the extent provided in regulations, synthetic equity also includes a stock appreciation right, phantom stock unit, or similar right to a future cash payment based on the value of such stock or appreciation in such value.

''(7) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection.''.

(b) COORDINATION WITH SECTION 4975(e)(7).—The last sentence of section 4975(e)(7) (defining employee stock ownership plan) is amended by inserting '', section 409(p),'' after ''409(n)''.

(c) EXCISE TAX.—

(1) APPLICATION OF TAX.—Subsection (a) of section 4979A (relating to tax on certain prohibited allocations of employer securities) is amended—

(A) by striking ''or'' at the end of paragraph (1), and

(B) by striking all that follows paragraph (2) and inserting the following:

''(3) there is any allocation of employer securities which violates the provisions of section 409(p), or a nonallocation year described in subsection (e)(2)(C) with respect to an employee stock ownership plan, or

''(4) any synthetic equity is owned by a disqualified person in any nonallocation year,

there is hereby imposed a tax on such allocation or ownership equal to 50 percent of the amount involved.''.

(2) LIABILITY.—Section 4979A(c) (defining liability for tax) is amended to read as follows:

''(c) LIABILITY FOR TAX.—The tax imposed by this section shall be paid—

''(1) in the case of an allocation referred to in paragraph (1) or (2) of subsection (a), by—

''(A) the employer sponsoring such plan, or

''(B) the eligible worker-owned cooperative, which made the written statement described in section 664(g)(1)(E) or in section 1042(b)(3)(B) (as the case may be), and

''(2) in the case of an allocation or ownership referred to in paragraph (3) or (4) of subsection (a), by the S corporation the stock in which was so allocated or owned.''.

(3) DEFINITIONS.—Section 4979A(e) (relating to definitions) is amended to read as follows:

''(e) DEFINITIONS AND SPECIAL RULES.—For purposes of this section—

''(1) DEFINITIONS.—Except as provided in paragraph (2), terms used in this section have the same respective meanings as when used in sections 409 and 4978.

''(2) SPECIAL RULES RELATING TO TAX IMPOSED BY REASON OF PARAGRAPH (3) OR (4) OF SUBSECTION (a).—

''(A) PROHIBITED ALLOCATIONS.—The amount involved with respect to any tax imposed by reason of subsection (a)(3) is the amount allocated to the account of any person in violation of section 409(p)(1).

''(B) SYNTHETIC EQUITY.—The amount involved with respect to any tax imposed by reason of subsection (a)(4) is the value of the shares on which the synthetic equity is based.

''(C) SPECIAL RULE DURING FIRST NONALLOCATION YEAR.—For purposes of subparagraph (A), the amount involved for the first nonallocation year of any employee stock ownership plan shall be determined by taking into account the total value of all the deemed-owned shares of all disqualified persons with respect to such plan.

''(D) STATUTE OF LIMITATIONS.—The statutory period for the assessment of any tax imposed by this section by reason of paragraph (3) or (4) of subsection (a) shall not expire before the date which is 3 years from the later of—

''(i) the allocation or ownership referred to in such paragraph giving rise to such tax, or

''(ii) the date on which the Secretary is notified of such allocation or ownership.''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to plan years beginning after December 31, 2004.

(2) EXCEPTION FOR CERTAIN PLANS.—In the case of any—

(A) employee stock ownership plan established after March 14, 2001, or

(B) employee stock ownership plan established on or before such date if employer securities held by the plan consist of stock in a corporation with respect to which an election under section 1362(a) of the Internal Revenue Code of 1986 is not in effect on such date,

the amendments made by this section shall apply to plan years ending after March 14, 2001.

TITLE VI—REDUCING REGULATORY BURDENS

SEC. 601. MODIFICATION OF TIMING OF PLAN VALUATIONS.

(a) AMENDMENT OF INTERNAL REVENUE CODE.—Paragraph (9) of section 412(c) (relating to annual valuation) is amended to read as follows:

''(9) ANNUAL VALUATION.—

''(A) IN GENERAL.—For purposes of this section, a determination of experience gains and losses and a valuation of the plan's liability shall be made not less frequently than once every year, except that such determination shall be made more frequently to the extent required in particular cases under regulations prescribed by the Secretary.

''(B) VALUATION DATE.—

''(i) CURRENT YEAR.—Except as provided in clause (ii), the valuation referred to in subparagraph (A) shall be made as of a date within the plan year to which the valuation refers or within one month prior to the beginning of such year.

''(ii) ELECTION TO USE PRIOR YEAR VALUATION.—The valuation referred to in subparagraph (A) may be made as of a date within the plan year prior to the year to which the valuation refers if—

''(I) an election is in effect under this clause with respect to the plan, and

''(II) as of such date, the value of the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)).

''(iii) ADJUSTMENTS.—Information under clause (ii) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iv) ELECTION.—An election under clause (ii), once made, shall be irrevocable without the consent of the Secretary.''.

(b) AMENDMENT OF ERISA.—Paragraph (9) of section 302(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(c)) is amended—

(1) by inserting ''(A)'' after ''(9)''; and

(2) by adding at the end the following:

''(B)(i) Except as provided in clause (ii), the valuation referred to in subparagraph (A) shall be made as of a date within the plan year to which the valuation refers or within one month prior to the beginning of such year.

''(ii) The valuation referred to in subparagraph (A) may be made as of a date within the plan year prior to the year to which the valuation refers if—

''(I) an election is in effect under this clause with respect to the plan; and

''(II) as of such date, the value of the assets of the plan are not less than 125 percent of the plan's current liability (as defined in paragraph (7)(B)).

''(iii) Information under clause (ii) shall, in accordance with regulations, be actuarially adjusted to reflect significant differences in participants.

''(iv) An election under clause (ii), once made, shall be irrevocable without the consent of the Secretary of the Treasury.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plan years beginning after December 31, 2001.

SEC. 602. ESOP DIVIDENDS MAY BE REINVESTED WITHOUT LOSS OF DIVIDEND DEDUCTION.

(a) IN GENERAL.—Section 404(k)(2)(A) (defining applicable dividends) is amended by striking ''or'' at the end of clause (ii), by redesignating clause (iii) as clause (iv), and by inserting after clause (ii) the following new clause:

''(iii) is, at the election of such participants or their beneficiaries—

''(I) payable as provided in clause (i) or (ii), or

''(II) paid to the plan and reinvested in qualifying employer securities, or''.

(b) STANDARDS FOR DISALLOWANCE.—Section 404(k)(5)(A) (relating to disallowance of deduction) is amended by inserting ''avoidance or'' before ''evasion''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2001.

SEC. 603. REPEAL OF TRANSITION RULE RELATING TO CERTAIN HIGHLY COMPENSATED EMPLOYEES.

(a) IN GENERAL.—Paragraph (4) of section 1114(c) of the Tax Reform Act of 1986 is hereby repealed.

(b) EFFECTIVE DATE.—The repeal made by subsection (a) shall apply to plan years beginning after December 31, 2001.

SEC. 604. EMPLOYEES OF TAX-EXEMPT ENTITIES.

(a) IN GENERAL.—The Secretary of the Treasury shall modify Treasury Regulations section 1.410(b)–6(g) to provide that employees of an organization described in section 403(b)(1)(A)(i) of the Internal Revenue Code of 1986 who are eligible to make contributions under section 403(b) of such Code pursuant to a salary reduction agreement may be treated as excludable with respect to a plan under section 401(k) or (m) of such Code that is provided under the same general arrangement as a plan under such section 401(k), if—

(1) no employee of an organization described in section 403(b)(1)(A)(i) of such Code is eligible to participate in such section 401(k) plan or section 401(m) plan; and

(2) 95 percent of the employees who are not employees of an organization described in section 403(b)(1)(A)(i) of such Code are eligible to participate in such plan under such section 401(k) or (m).

(b) EFFECTIVE DATE.—The modification required by subsection (a) shall apply as of the same date set forth in section 1426(b) of the Small Business Job Protection Act of 1996.

SEC. 605. CLARIFICATION OF TREATMENT OF EMPLOYER-PROVIDED RETIREMENT ADVICE.

(a) IN GENERAL.—Subsection (a) of section 132 (relating to exclusion from gross income) is amended by striking ''or'' at the end of paragraph (5), by striking the period at the end of paragraph (6) and inserting '', or'', and by adding at the end the following new paragraph:

''(7) qualified retirement planning services.''.

(b) QUALIFIED RETIREMENT PLANNING SERVICES DEFINED.—Section 132 is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following:

''(m) QUALIFIED RETIREMENT PLANNING SERVICES.—

''(1) IN GENERAL.—For purposes of this section, the term 'qualified retirement planning services' means any retirement planning advice or information provided to an employee and his spouse by an employer maintaining a qualified employer plan.

''(2) NONDISCRIMINATION RULE.—Subsection (a)(7) shall apply in the case of highly compensated employees only if such services are available on substantially the same terms to each member of the group of employees normally provided education and information regarding the employer's qualified employer plan.

''(3) QUALIFIED EMPLOYER PLAN.—For purposes of this subsection, the term 'qualified employer plan' means a plan, contract, pension, or account described in section 219(g)(5).''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 606. REPORTING SIMPLIFICATION.

(a) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR OWNERS AND THEIR SPOUSES.—

(1) IN GENERAL.—The Secretary of the Treasury and the Secretary of Labor shall modify the requirements for filing annual returns with respect to one-participant retirement plans to ensure that such plans with assets of $250,000 or less as of the close of the plan year need not file a return for that year.

(2) ONE-PARTICIPANT RETIREMENT PLAN DEFINED.—For purposes of this subsection, the term ''one-participant retirement plan'' means a retirement plan that—

(A) on the first day of the plan year—

(i) covered only the employer (and the employer's spouse) and the employer owned the entire business (whether or not incorporated); or

(ii) covered only one or more partners (and their spouses) in a business partnership (including partners in an S or C corporation);

(B) meets the minimum coverage requirements of section 410(b) of the Internal Revenue Code of 1986 without being combined with any other plan of the business that covers the employees of the business;

(C) does not provide benefits to anyone except the employer (and the employer's spouse) or the partners (and their spouses);

(D) does not cover a business that is a member of an affiliated service group, a controlled group of corporations, or a group of businesses under common control; and

(E) does not cover a business that leases employees.

(3) OTHER DEFINITIONS.—Terms used in paragraph (2) which are also used in section 414 of the Internal Revenue Code of 1986 shall have the respective meanings given such terms by such section.

(b) SIMPLIFIED ANNUAL FILING REQUIREMENT FOR PLANS WITH FEWER THAN 25 EMPLOYEES.—In the case of plan years beginning after December 31, 2002, the Secretary of the Treasury and the Secretary of Labor shall provide for the filing of a simplified annual return for any retirement plan which covers less than 25 employees on the first day of a plan year and which meets the requirements described in subparagraphs (B), (D), and (E) of subsection (a)(2).

(c) EFFECTIVE DATE.—The provisions of this section shall take effect on January 1, 2002.

SEC. 607. IMPROVEMENT OF EMPLOYEE PLANS COMPLIANCE RESOLUTION SYSTEM.

The Secretary of the Treasury shall continue to update and improve the Employee Plans Compliance Resolution System (or any successor program) giving special attention to—

(1) increasing the awareness and knowledge of small employers concerning the availability and use of the program;

(2) taking into account special concerns and circumstances that small employers face with respect to compliance and correction of compliance failures;

(3) extending the duration of the self-correction period under the Administrative Policy Regarding Self-Correction for significant compliance failures;

(4) expanding the availability to correct insignificant compliance failures under the Administrative Policy Regarding Self-Correction during audit; and

(5) assuring that any tax, penalty, or sanction that is imposed by reason of a compliance failure is not excessive and bears a reasonable relationship to the nature, extent, and severity of the failure.

SEC. 608. REPEAL OF THE MULTIPLE USE TEST.

(a) IN GENERAL.—Paragraph (9) of section 401(m) is amended to read as follows:

''(9) REGULATIONS.—The Secretary shall prescribe such regulations as may be necessary to carry out the purposes of this subsection and subsection (k), including regulations permitting appropriate aggregation of plans and contributions.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to years beginning after December 31, 2001.

SEC. 609. FLEXIBILITY IN NONDISCRIMINATION, COVERAGE, AND LINE OF BUSINESS RULES.

(a) NONDISCRIMINATION.—

(1) IN GENERAL.—The Secretary of the Treasury shall, by regulation, provide that a plan shall be deemed to satisfy the requirements of section 401(a)(4) of the Internal Revenue Code of 1986 if such plan satisfies the facts and circumstances test under section 401(a)(4) of such Code, as in effect before January 1, 1994, but only if—

(A) the plan satisfies conditions prescribed by the Secretary to appropriately limit the availability of such test; and

(B) the plan is submitted to the Secretary for a determination of whether it satisfies such test.

Subparagraph (B) shall only apply to the extent provided by the Secretary.

(2) EFFECTIVE DATES.—

(A) REGULATIONS.—The regulation required by paragraph (1) shall apply to years beginning after December 31, 2003.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under paragraph (1)(A) shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

(b) COVERAGE TEST.—

(1) IN GENERAL.—Section 410(b)(1) (relating to minimum coverage requirements) is amended by adding at the end the following:

''(D) In the case that the plan fails to meet the requirements of subparagraphs (A), (B) and (C), the plan—

''(i) satisfies subparagraph (B), as in effect immediately before the enactment of the Tax Reform Act of 1986,

''(ii) is submitted to the Secretary for a determination of whether it satisfies the requirement described in clause (i), and

''(iii) satisfies conditions prescribed by the Secretary by regulation that appropriately limit the availability of this subparagraph.

Clause (ii) shall apply only to the extent provided by the Secretary.''.

(2) EFFECTIVE DATES.—

(A) IN GENERAL.—The amendment made by paragraph (1) shall apply to years beginning after December 31, 2003.

(B) CONDITIONS OF AVAILABILITY.—Any condition of availability prescribed by the Secretary under regulations prescribed by the Secretary under section 410(b)(1)(D) of the Internal Revenue Code of 1986 shall not apply before the first year beginning not less than 120 days after the date on which such condition is prescribed.

(c) LINE OF BUSINESS RULES.—The Secretary of the Treasury shall, on or before December 31, 2003, modify the existing regulations issued under section 414(r) of the Internal Revenue Code of 1986 in order to expand (to the extent that the Secretary determines appropriate) the ability of a pension plan to demonstrate compliance with the line of business requirements based upon the facts and circumstances surrounding the design and operation of the plan, even though the plan is unable to satisfy the mechanical tests currently used to determine compliance.

SEC. 610. EXTENSION TO ALL GOVERNMENTAL PLANS OF MORATORIUM ON APPLICATION OF CERTAIN NON-DISCRIMINATION RULES APPLICABLE TO STATE AND LOCAL PLANS.

(a) IN GENERAL.—

(1) Subparagraph (G) of section 401(a)(5) of the Internal Revenue Code of 1986 and subparagraph (H) of section 401(a)(26) are each amended by striking ''section 414(d))'' and all that follows and inserting ''section 414(d)).''.

(2) Subparagraph (G) of section 401(k)(3) and paragraph (2) of section 1505(d) of the Taxpayer Relief Act of 1997 are each amended by striking ''maintained by a State or local government or political subdivision thereof (or agency or instrumentality thereof)''.

(b) CONFORMING AMENDMENTS.—

(1) The heading for subparagraph (G) of section 401(a)(5) is amended to read as follows: ''GOVERNMENTAL PLANS.—''.

(2) The heading for subparagraph (H) of section 401(a)(26) is amended to read as follows: ''EXCEPTION FOR GOVERNMENTAL PLANS.—''.

(3) Subparagraph (G) of section 401(k)(3) is amended by inserting ''GOVERNMENTAL PLANS.—'' after ''(G)''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to years beginning after December 31, 2001.

SEC. 611. NOTICE AND CONSENT PERIOD REGARDING DISTRIBUTIONS.

(a) EXPANSION OF PERIOD.—

(1) AMENDMENT OF INTERNAL REVENUE CODE.—

(A) IN GENERAL.—Subparagraph (A) of section 417(a)(6) is amended by striking ''90-day'' and inserting ''180-day''.

(B) MODIFICATION OF REGULATIONS.—The Secretary of the Treasury shall modify the regulations under sections 402(f), 411(a)(11), and 417 of the Internal Revenue Code of 1986 to substitute ''180 days'' for ''90 days'' each place it appears in Treasury Regulations sections 1.402(f)–1, 1.411(a)–11(c), and 1.417(e)–1(b).

(2) AMENDMENT OF ERISA.—Section 205(c)(7)(A) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1055(c)(7)(A)) is amended by striking ''90-day'' and inserting ''180-day''.

(3) EFFECTIVE DATE.—The amendments made by paragraph (1)(A) and (2) and the modifications required by paragraph (1)(B) shall apply to years beginning after December 31, 2001.

(b) CONSENT REGULATION INAPPLICABLE TO CERTAIN DISTRIBUTIONS.—

(1) IN GENERAL.—The Secretary of the Treasury shall modify the regulations under section 411(a)(11) of the Internal Revenue Code of 1986 to provide that the description of a participant's right, if any, to defer receipt of a distribution shall also describe the consequences of failing to defer such receipt.

(2) EFFECTIVE DATE.—The modifications required by paragraph (1) shall apply to years beginning after December 31, 2001.

SEC. 612. ANNUAL REPORT DISSEMINATION.

(a) REPORT AVAILABLE THROUGH ELECTRONIC MEANS.—Section 104(b)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1024(b)(3)) is amended by adding at the end the following new sentence: ''The requirement to furnish information under the previous sentence shall be satisfied if the administrator makes such information reasonably available through electronic means or other new technology.''.

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to reports for years beginning after December 31, 2000.

SEC. 613. TECHNICAL CORRECTIONS TO SAVER ACT.

Section 517 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1147) is amended—

(1) in subsection (a), by striking ''2001 and 2005 on or after September 1 of each year involved'' and inserting ''2001, 2005, and 2009 in the month of September of each year involved'';

(2) in subsection (b), by adding at the end the following new sentence: ''To effectuate the purposes of this paragraph, the Secretary may enter into a cooperative agreement, pursuant to the Federal Grant and Cooperative Agreement Act of 1977 (31 U.S.C. 6301 et seq.), with the American Savings Education Council.'';

(3) in subsection (e)(2)—

(A) by striking ''Committee on Labor and Human Resources'' in subparagraph (D) and inserting ''Committee on Health, Education, Labor, and Pensions'';

(B) by striking subparagraph (F) and inserting the following:

''(F) the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the House of Representatives and the Chairman and Ranking Member of the Subcommittee on Labor, Health and Human Services, and Education of the Committee on Appropriations of the Senate;'';

(C) by redesignating subparagraph (G) as subparagraph (J); and

(D) by inserting after subparagraph (F) the following new subparagraphs:

''(G) the Chairman and Ranking Member of the Committee on Finance of the Senate;

''(H) the Chairman and Ranking Member of the Committee on Ways and Means of the House of Representatives;

''(I) the Chairman and Ranking Member of the Subcommittee on Employer-Employee Relations of the Committee on Education and the Workforce of the House of Representatives; and'';

(4) in subsection (e)(3)(A)—

(A) by striking ''There shall be no more than 200 additional participants.'' and inserting ''The participants in the National Summit shall also include additional participants appointed under this subparagraph.'';

(B) by striking ''one-half shall be appointed by the President,'' in clause (i) and inserting ''not more than 100 participants shall be appointed under this clause by the President,'', and by striking ''and'' at the end of clause (i);

(C) by striking ''one-half shall be appointed by the elected leaders of Congress'' in clause (ii) and inserting ''not more than 100 participants shall be appointed under this clause by the elected leaders of Congress'', and by striking the period at the end of clause (ii) and inserting ''; and'';

(D) by adding at the end the following new clause:

''(iii) The President, in consultation with the elected leaders of Congress referred to in subsection (a), may appoint under this clause additional participants to the National Summit. The number of such additional participants appointed under this clause may not exceed the lesser of 3 percent of the total number of all additional participants appointed under this paragraph, or 10. Such additional participants shall be appointed from persons nominated by the organization referred to in subsection (b)(2) which is made up of private sector businesses and associations partnered with Government entities to promote long term financial security in retirement through savings and with which the Secretary is required thereunder to consult and cooperate and shall not be Federal, State, or local government employees.'';

(5) in subsection (e)(3)(B), by striking ''January 31, 1998'' in subparagraph (B) and inserting ''May 1, 2001, May 1, 2005, and May 1, 2009, for each of the subsequent summits, respectively'';

(6) in subsection (f)(1)(C), by inserting '', no later than 90 days prior to the date of the commencement of the National Summit,'' after ''comment'' in paragraph (1)(C);

(7) in subsection (g), by inserting '', in consultation with the congressional leaders specified in subsection (e)(2),'' after ''report'';

(8) in subsection (i)—

(A) by striking ''beginning on or after October 1, 1997'' in paragraph (1) and inserting ''2001, 2005, and 2009''; and

(B) by adding at the end the following new paragraph:

''(3) RECEPTION AND REPRESENTATION AUTHORITY.—The Secretary is hereby granted reception and representation authority limited specifically to the events at the National Summit. The Secretary shall use any private contributions accepted in connection with the National Summit prior to using funds appropriated for purposes of the National Summit pursuant to this paragraph.''; and

(9) in subsection (k)—

(A) by striking ''shall enter into a contract on a sole-source basis'' and inserting ''may enter into a contract on a sole-source basis''; and

(B) by striking ''fiscal year 1998'' and inserting ''fiscal years 2001, 2005, and 2009''.

TITLE VII—OTHER ERISA PROVISIONS

SEC. 701. MISSING PARTICIPANTS.

(a) IN GENERAL.—Section 4050 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1350) is amended by redesignating subsection (c) as subsection (e) and by inserting after subsection (b) the following new subsections:

''(c) MULTIEMPLOYER PLANS.—The corporation shall prescribe rules similar to the rules in subsection (a) for multiemployer plans covered by this title that terminate under section 4041A.

''(d) PLANS NOT OTHERWISE SUBJECT TO TITLE.—

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

''(2) INFORMATION TO THE CORPORATION.—To the extent provided in regulations, the plan administrator of a plan described in paragraph (4) shall, upon termination of the plan, provide the corporation information with respect to benefits of a missing participant if the plan transfers such benefits—

''(A) to the corporation, or

''(B) to an entity other than the corporation or a plan described in paragraph (4)(B)(ii).

''(3) PAYMENT BY THE CORPORATION.—If benefits of a missing participant were transferred to the corporation under paragraph (1), the corporation shall, upon location of the participant or beneficiary, pay to the participant or beneficiary the amount transferred (or the appropriate survivor benefit) either—

''(A) in a single sum (plus interest), or

''(B) in such other form as is specified in regulations of the corporation.

''(4) PLANS DESCRIBED.—A plan is described in this paragraph if—

''(A) the plan is a pension plan (within the meaning of section 3(2))—

''(i) to which the provisions of this section do not apply (without regard to this subsection), and

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

''(B) at the time the assets are to be distributed upon termination, the plan—

''(i) has missing participants, and

''(ii) has not provided for the transfer of assets to pay the benefits of all missing participants to another pension plan (within the meaning of section 3(2)).

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

(b) EFFECTIVE DATE.—The amendment made by this section shall apply to distributions made after final regulations implementing subsections (c) and (d) of section 4050 of the Employee Retirement Income Security Act of 1974 (as added by subsection (a)), respectively, are prescribed.

SEC. 702. REDUCED PBGC PREMIUM FOR NEW PLANS OF SMALL EMPLOYERS.

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

(1) in clause (i), by inserting ''other than a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined),'' after ''single-employer plan,'',

(2) in clause (iii), by striking the period at the end and inserting '', and'', and

(3) by adding at the end the following new clause:

''(iv) in the case of a new single-employer plan (as defined in subparagraph (F)) maintained by a small employer (as so defined) for the plan year, $5 for each individual who is a participant in such plan during the plan year.''.

(b) DEFINITION OF NEW SINGLE-EMPLOYER PLAN.—Section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)) is amended by adding at the end the following new subparagraph:

''(F)(i) For purposes of this paragraph, a single-employer plan maintained by a contributing sponsor shall be treated as a new single-employer plan for each of its first 5 plan years if, during the 36-month period ending on the date of the adoption of such plan, the sponsor or any member of such sponsor's controlled group (or any predecessor of either) did not establish or maintain a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new single-employer plan.

''(ii)(I) For purposes of this paragraph, the term 'small employer' means an employer which on the first day of any plan year has, in aggregation with all members of the controlled group of such employer, 100 or fewer employees.

''(II) In the case of a plan maintained by two or more contributing sponsors that are not part of the same controlled group, the employees of all contributing sponsors and controlled groups of such sponsors shall be aggregated for purposes of determining whether any contributing sponsor is a small employer.''.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to plans established after December 31, 2001.

SEC. 703. REDUCTION OF ADDITIONAL PBGC PREMIUM FOR NEW AND SMALL PLANS.

(a) NEW PLANS.—Subparagraph (E) of section 4006(a)(3) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)(3)(E)) is amended by adding at the end the following new clause:

''(v) In the case of a new defined benefit plan, the amount determined under clause (ii) for any plan year shall be an amount equal to the product of the amount determined under clause (ii) and the applicable percentage. For purposes of this clause, the term 'applicable percentage' means—

''(I) 0 percent, for the first plan year.

''(II) 20 percent, for the second plan year.

''(III) 40 percent, for the third plan year.

''(IV) 60 percent, for the fourth plan year.

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

For purposes of this clause, a defined benefit plan (as defined in section 3(35)) maintained by a contributing sponsor shall be treated as a new defined benefit plan for each of its first 5 plan years if, during the 36-month period ending on the date of the adoption of the plan, the sponsor and each member of any controlled group including the sponsor (or any predecessor of either) did not establish or maintain a plan to which this title applies with respect to which benefits were accrued for substantially the same employees as are in the new plan.''.

(b) SMALL PLANS.—Paragraph (3) of section 4006(a) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1306(a)), as amended by section 702(b), is amended—

(1) by striking ''The'' in subparagraph (E)(i) and inserting ''Except as provided in subparagraph (G), the'', and

(2) by inserting after subparagraph (F) the following new subparagraph:

''(G)(i) In the case of an employer who has 25 or fewer employees on the first day of the plan year, the additional premium determined under subparagraph (E) for each participant shall not exceed $5 multiplied by the number of participants in the plan as of the close of the preceding plan year.

''(ii) For purposes of clause (i), whether an employer has 25 or fewer employees on the first day of the plan year is determined taking into consideration all of the employees of all members of the contributing sponsor's controlled group. In the case of a plan maintained by two or more contributing sponsors, the employees of all contributing sponsors and their controlled groups shall be aggregated for purposes of determining whether the 25-or-fewer-employees limitation has been satisfied.''.

(c) EFFECTIVE DATES.—

(1) SUBSECTION (a).—The amendments made by subsection (a) shall apply to plans established after December 31, 2001.

(2) SUBSECTION (b).—The amendments made by subsection (b) shall apply to plan years beginning after December 31, 2001.

SEC. 704. AUTHORIZATION FOR PBGC TO PAY INTEREST ON PREMIUM OVERPAYMENT REFUNDS.

(a) IN GENERAL.—Section 4007(b) of the Employment Retirement Income Security Act of 1974 (29 U.S.C. 1307(b)) is amended—

(1) by striking ''(b)'' and inserting ''(b)(1)'', and

(2) by inserting at the end the following new paragraph:

''(2) The corporation is authorized to pay, subject to regulations prescribed by the corporation, interest on the amount of any overpayment of premium refunded to a designated payor. Interest under this paragraph shall be calculated at the same rate and in the same manner as interest is calculated for underpayments under paragraph (1).''.

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall apply to interest accruing for periods beginning not earlier than the date of the enactment of this Act.

SEC. 705. SUBSTANTIAL OWNER BENEFITS IN TERMINATED PLANS.

(a) MODIFICATION OF PHASE-IN OF GUARANTEE.—Section 4022(b)(5) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1322(b)(5)) is amended to read as follows:

''(5)(A) For purposes of this paragraph, the term 'majority owner' means an individual who, at any time during the 60-month period ending on the date the determination is being made—

''(i) owns the entire interest in an unincorporated trade or business,

''(ii) in the case of a partnership, is a partner who owns, directly or indirectly, 50 percent or more of either the capital interest or the profits interest in such partnership, or

''(iii) in the case of a corporation, owns, directly or indirectly, 50 percent or more in value of either the voting stock of that corporation or all the stock of that corporation.

For purposes of clause (iii), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).

''(B) In the case of a participant who is a majority owner, the amount of benefits guaranteed under this section shall equal the product of—

''(i) a fraction (not to exceed 1) the numerator of which is the number of years from the later of the effective date or the adoption date of the plan to the termination date, and the denominator of which is 10, and

''(ii) the amount of benefits that would be guaranteed under this section if the participant were not a majority owner.''.

(b) MODIFICATION OF ALLOCATION OF ASSETS.—

(1) Section 4044(a)(4)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1344(a)(4)(B)) is amended by striking ''section 4022(b)(5)'' and inserting ''section 4022(b)(5)(B)''.

(2) Section 4044(b) of such Act (29 U.S.C. 1344(b)) is amended—

(A) by striking ''(5)'' in paragraph (2) and inserting ''(4), (5),'', and

(B) by redesignating paragraphs (3) through (6) as paragraphs (4) through (7), respectively, and by inserting after paragraph (2) the following new paragraph:

''(3) If assets available for allocation under paragraph (4) of subsection (a) are insufficient to satisfy in full the benefits of all individuals who are described in that paragraph, the assets shall be allocated first to benefits described in subparagraph (A) of that paragraph. Any remaining assets shall then be allocated to benefits described in subparagraph (B) of that paragraph. If assets allocated to such subparagraph (B) are insufficient to satisfy in full the benefits described in that subparagraph, the assets shall be allocated pro rata among individuals on the basis of the present value (as of the termination date) of their respective benefits described in that subparagraph.''.

(c) CONFORMING AMENDMENTS.—

(1) Section 4021 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1321) is amended—

(A) in subsection (b)(9), by striking ''as defined in section 4022(b)(6)'', and

(B) by adding at the end the following new subsection:

''(d) For purposes of subsection (b)(9), the term 'substantial owner' means an individual who, at any time during the 60-month period ending on the date the determination is being made—

''(1) owns the entire interest in an unincorporated trade or business,

''(2) in the case of a partnership, is a partner who owns, directly or indirectly, more than 10 percent of either the capital interest or the profits interest in such partnership, or

''(3) in the case of a corporation, owns, directly or indirectly, more than 10 percent in value of either the voting stock of that corporation or all the stock of that corporation.

For purposes of paragraph (3), the constructive ownership rules of section 1563(e) of the Internal Revenue Code of 1986 shall apply (determined without regard to section 1563(e)(3)(C)).''.

(2) Section 4043(c)(7) of such Act (29 U.S.C. 1343(c)(7)) is amended by striking ''section 4022(b)(6)'' and inserting ''section 4021(d)''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section shall apply to plan terminations—

(A) under section 4041(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1341(c)) with respect to which notices of intent to terminate are provided under section 4041(a)(2) of such Act (29 U.S.C. 1341(a)(2)) after December 31, 2001, and

(B) under section 4042 of such Act (29 U.S.C. 1342) with respect to which proceedings are instituted by the corporation after such date.

(2) CONFORMING AMENDMENTS.—The amendments made by subsection (c) shall take effect on January 1, 2002.

SEC. 706. CIVIL PENALTIES FOR BREACH OF FIDUCIARY RESPONSIBILITY.

(a) IMPOSITION AND AMOUNT OF PENALTY MADE DISCRETIONARY.—Section 502(l)(1) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(l)(1)) is amended—

(1) by striking ''shall'' and inserting ''may'', and

(2) by striking ''equal to'' and inserting ''not greater than''.

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

''(2) For purposes of paragraph (1), the term 'applicable recovery amount' means any amount which is recovered from any fiduciary or other person (or from any other person on behalf of any such fiduciary or other person) with respect to a breach or violation described in paragraph (1) on or after the 30th day following receipt by such fiduciary or other person of written notice from the Secretary of the violation, whether paid voluntarily or by order of a court in a judicial proceeding instituted by the Secretary under subsection (a)(2) or (a)(5). The Secretary may, in the Secretary's sole discretion, extend the 30-day period described in the preceding sentence.''.

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

''(5) A person shall be jointly and severally liable for the penalty described in paragraph (1) to the same extent that such person is jointly and severally liable for the applicable recovery amount on which the penalty is based.

''(6) No penalty shall be assessed under this subsection unless the person against whom the penalty is assessed is given notice and opportunity for a hearing with respect to the violation and applicable recovery amount.''.

(d) EFFECTIVE DATES.—

(1) IN GENERAL.—The amendments made by this section shall apply to any breach of fiduciary responsibility or other violation of part 4 of subtitle B of title I of the Employee Retirement Income Security Act of 1974 occurring on or after the date of enactment of this Act.

(2) TRANSITION RULE.—In applying the amendment made by subsection (b) (relating to applicable recovery amount), a breach or other violation occurring before the date of enactment of this Act which continues after the 180th day after such date (and which may have been discontinued at any time during its existence) shall be treated as having occurred after such date of enactment.

SEC. 707. BENEFIT SUSPENSION NOTICE.

(a) MODIFICATION OF REGULATION.—The Secretary of Labor shall modify the regulation under section 203(a)(3)(B) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1053(a)(3)(B)) to provide that the notification required by such regulation—

(1) in the case of an employee who returns to work for a former employer after commencement of payment of benefits under the plan shall—

(A) be made during the first calendar month or payroll period in which the plan withholds payments, and

(B) if a reduced rate of future benefit accruals will apply to the returning employee (as of the first date of participation in the plan by the employee after returning to work), include a statement that the rate of future benefit accruals will be reduced, and

(2) in the case of any employee who is not described in paragraph (1)—

(A) may be included in the summary plan description for the plan furnished in accordance with section 104(b) of such Act (29 U.S.C. 1024(b)), rather than in a separate notice, and

(B) need not include a copy of the relevant plan provisions.

(b) EFFECTIVE DATE.—The modification made under this section shall apply to plan years beginning after December 31, 2001.

SEC. 708. STUDIES.

(a) MODEL SMALL EMPLOYER GROUP PLANS STUDY.—As soon as practicable after the date of the enactment of this Act, the Secretary of Labor, in consultation with the Secretary of the Treasury, shall conduct a study to determine—

(1) the most appropriate form or forms of—

(A) employee pension benefit plans which would—

(i) be simple in form and easily maintained by multiple small employers, and

(ii) provide for ready portability of benefits for all participants and beneficiaries,

(B) alternative arrangements providing comparable benefits which may be established by employee or employer associations, and

(C) alternative arrangements providing comparable benefits to which employees may contribute in a manner independent of employer sponsorship, and

(2) appropriate methods and strategies for making pension plan coverage described in paragraph (1) more widely available to American workers.

(b) MATTERS TO BE CONSIDERED.—In conducting the study under subsection (a), the Secretary of Labor shall consider the adequacy and availability of existing employee pension benefit plans and the extent to which existing models may be modified to be more accessible to both employees and employers.

(c) REPORT.—Not later than 18 months after the date of the enactment of this Act, the Secretary of Labor shall report the results of the study under subsection (a), together with the Secretary's recommendations, to the Committee on Education and the Workforce and the Committee on Ways and Means of the House of Representatives and the Committee on Health, Education, Labor, and Pensions and the Committee on Finance of the Senate. Such recommendations shall include one or more model plans described in subsection (a)(1)(A) and model alternative arrangements described in subsections (a)(1)(B) and (a)(1)(C) which may serve as the basis for appropriate administrative or legislative action.

(d) STUDY ON EFFECT OF LEGISLATION.—Not later than 5 years after the date of the enactment of this Act, the Secretary of Labor shall submit to the Committee on Education and the Workforce of the House of Representatives and the Committee on Health, Education, Labor, and Pensions of the Senate a report on the effect of the provisions of this Act on pension plan coverage, including any change in—

(1) the extent of pension plan coverage for low and middle-income workers,

(2) the levels of pension plan benefits generally,

(3) the quality of pension plan coverage generally,

(4) workers' access to and participation in pension plans, and

(5) retirement security.

TITLE VIII—PLAN AMENDMENTS

SEC. 801. PROVISIONS RELATING TO PLAN AMENDMENTS.

(a) IN GENERAL.—If this section applies to any plan or contract amendment—

(1) such plan or contract shall be treated as being operated in accordance with the terms of the plan during the period described in subsection (b)(2)(A); and

(2) except as provided by the Secretary of the Treasury, such plan shall not fail to meet the requirements of section 411(d)(6) of the Internal Revenue Code of 1986 or section 204(g) of the Employee Retirement Income Security Act of 1974 by reason of such amendment.

(b) AMENDMENTS TO WHICH SECTION APPLIES.—

(1) IN GENERAL.—This section shall apply to any amendment to any plan or annuity contract which is made—

(A) pursuant to any amendment made by this Act, or pursuant to any regulation issued under this Act; and

(B) on or before the last day of the first plan year beginning on or after January 1, 2004.

In the case of a governmental plan (as defined in section 414(d) of the Internal Revenue Code of 1986), this paragraph shall be applied by substituting ''2006'' for ''2004''.

(2) CONDITIONS.—This section shall not apply to any amendment unless—

(A) during the period—

(i) beginning on the date the legislative or regulatory amendment described in paragraph (1)(A) takes effect (or in the case of a plan or contract amendment not required by such legislative or regulatory amendment, the effective date specified by the plan); and

(ii) ending on the date described in paragraph (1)(B) (or, if earlier, the date the plan or contract amendment is adopted),

the plan or contract is operated as if such plan or contract amendment were in effect; and

(B) such plan or contract amendment applies retroactively for such period.

The SPEAKER pro tempore. Pursuant to House Resolution 127, the gentleman from Massachusetts (Mr. NEAL) and a Member opposed each will control 30 minutes.

Does the gentleman from Ohio (Mr. PORTMAN) seek to control the time in opposition to the amendment?

Mr. PORTMAN. I do, Mr. Speaker.

The SPEAKER pro tempore. The gentleman from Ohio (Mr. PORTMAN) will be recognized.

The Chair recognizes the gentleman from Massachusetts (Mr. NEAL) for 30 minutes.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I would like to begin by pointing out that this amendment is being offered by myself, the gentleman from New York (Mr. RANGEL), the gentleman from New Jersey (Mr. ANDREWS), and the gentleman from Massachusetts (Mr. TIERNEY).

The amendment is comprised of three parts, and is the same as the amendment I offered in the Committee on Ways and Means last week.

In the last hour, we have really gone through a very helpful debate. I think it demonstrates that we are not as far apart on this legislation as some might think.

Even though our differences may not be that large, they remain substantial for low- and moderate-income workers. As I said earlier, if we do not deal with the issue of providing direct incentives for small businesses to offer pension plans and direct incentives for workers to participate, then we are going to be right back here again in the near future arguing over these same issues.

While 70.8 percent of workers with adjusted gross incomes between $75,000 and $100,000 participate in an employer pension plan, only 17.9 percent of those workers whose gross adjusted income is between $10,000 and $15,000 participate.

The current system clearly fails these workers with little or no disposable income. I do not believe that H.R. 10 in its current form will achieve much success with these workers, as well. This amendment deals with these issues by establishing a refundable retirement savings credit for low- and moderate-income workers. The purpose is to encourage those who have little if any disposable income to make the effort to save, or if they can, to save even more. The credit would be up to 50 percent of annual contributions to a traditional individual retirement account or to a qualified pension plan like a 401(k), 403(b), or a 457 plan.

It is important to understand that this amendment does not establish a new savings vehicle. It only establishes an incentive to use current pension vehicles. The eligible contribution would not exceed $2,000, thus resulting in a maximum credit of $1,000 when the proposal is fully phased in. The credit amount phases down as income increases, phasing out at $75,000 for a married couple.

The two other credits that would be added to the bill would reward small businesses for establishing new pension plans. Many small employers would like to establish qualified pension plans for their employees but they need some help in getting there.

We are all aware of how small employers struggle to attract and retain quality employees, particularly today. They can be successful in this effort only if they can compete with large businesses and the benefits they offer to their employees. Moreover, the 38 million employees who work in small businesses deserve the same secured retirement as employees in large businesses. Yet, pension coverage of this group of workers continues to lag behind the coverage available for employees of large companies.

In a recent survey conducted by the Employee Benefit Research Institute, 65 percent of small employers stated that the availability of tax credits was a significant factor in their decision on whether to offer a pension plan to their employees, second only to an increase in business profits.

Sixty-five percent is a most substantial number. Clearly the two small business credits in the amendment would go a long way to increasing the number of small business pension plans. The gentleman from Ohio (Mr. PORTMAN) acknowledged this in the committee debate.

The first small business credit would provide a tax credit for expenses incurred by small businesses, employers with 100 or fewer employees, for costs associated with starting up new pension plans. Under this credit, small employers would be eligible to claim a 3-year tax credit for an amount equal to 50 percent of administrative and retirement education expenses incurred as a result of offering a new qualified pension plan.

Eligible expenses for the credit would be capped at $2,000 for the first year and $1,000 for the second and third years.

The second small business credit would allow these same employers to be eligible for a tax credit for employer contributions to a pension plan. This credit would be equal to 50 percent of the employer contributions to a qualified retirement plan made on behalf of their non-highly-compensated employees. Qualifying contributions would be both non-elected employer contributions and employer matching contributions, up to a total of 3 percent of compensation for non-highly-compensated employees.

This is important to hear, Mr. Speaker. The additional cost of this amendment is $46 billion over 10 years. When coupled with the cost of H.R. 10, the total cost remains under $100 billion. We have managed to fit that into our $900 billion tax cut proposal on the Democratic side. Surely the other side would not be asking too much if they could put that into the $1.6 trillion tax cut that they have offered. It is simply today a matter of political will.

I would predict when the legislation comes back from the Senate, it will involve at least one and perhaps two of these amendments.

In conclusion, let me say what I have said repeatedly, I think the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN) did a good job with this legislation. I have supported expanding IRA limits since the day I arrived in the House 13 years ago, and along with the gentleman from California (Mr. THOMAS), carried the ROTH IRA in the House.

There are many good provisions in this bill. But at the same time, we have a remarkable opportunity today. With just a couple of small changes on the edges, which the gentleman from Ohio (Mr. PORTMAN) has at least grudgingly acknowledged in committee were worthwhile, we could pass this bill today almost unanimously here.

If we do not accept this challenge today, we are going to be back here next year and the year after and the year after.

I do not know what is so difficult today about addressing a couple of small issues that would allow low- and moderate-income Americans who go to work every day to participate in a good and predictable retirement savings plan. I know in his heart that the gentleman from Ohio (Mr. PORTMAN) would really like to do that today. He has that opportunity with simply a nod to move on his side, and I hope that as this debate proceeds for the next few minutes we will have a chance to say, look, there are many portions of this bill that are indeed desirable, but there are also two small portions of this bill on which we could improve upon today.

Mr. Speaker, I reserve the balance of my time.

Mr. PORTMAN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I applaud my friend, the gentleman from Massachusetts, for his concern about expanding pension coverage to low- and moderate-income Americans. That is, as he knows, precisely what we are trying to do in this underlying legislation.

The small changes around the edges that he was just talking about happen to just about double the cost of the

bill. The underlying bill is about $52 billion over 10 years, which we hope to be able to fit into the reduced tax bill number. The amendments the gentleman is offering through the substitute add another $45 billion, taking it up to $97 billion over 10 years, so it is doubling the cost. These are not small changes.

In terms of the changes, I do like the start-up credit, which is $177 million over the 10-year period. The other two, the employer credit, which is $5.4 billion, and the individual credit, $35.5 billion, I have problems with.

The gentleman mentioned that the Senate is likely to add these. I think the Senate is likely to do something in terms of the small business start-up, which is, again, a relatively small part. It is tinkering around the edges, I believe, in terms of the costs and impact it will have, but it is important for small business.

But I do not think they are going to do the employer credit or the individual credit. I say that because legislation that was introduced on a bipartisan basis in the Senate by the Chair and ranking members of the Finance Committee did not include a refundable tax credit. It was a nonrefundable credit at a much lower cost, as a result.

Second, on the merits of this, having a refundable tax credit does create a new entitlement program. At a time when we are struggling to try to make the earned income tax credit work in terms of the compliance costs, and the Treasury Department under the Clinton administration told us there was a mispayment of about 25 percent under that program, I think it would be ill advised for us to start a new entitlement program until we have at least tried some of these other things that we are talking about under this proposal.

What we are talking about in this proposal is primarily expanding pension coverage to small- and mid-sized businesses where there is very little coverage today.

Again, I commend the gentleman for focusing on that, but that is what we do in our underlying legislation. This is where most of the low- and moderate-income workers are working today, where the folks are working who do not have pension coverage. We are trying to do this through the increased limits in this legislation, through the complexity provisions, which are very important to get at the costs and burdens. We know from the surveys that have been done they will help to expand coverage.

Also, though in terms of the portability provisions, there will be faster vesting. All of this is going to help precisely the people that the gentleman's refundable tax credit is aimed at, and without all of the complexity and all of the compliance problems that are inherent in that kind of a problem.

Finally, on the business tax credit, which is the third piece of the gentleman's proposal today, I have some concerns about how that would work. It does not cover the plans that many small businesses use, the SIMPLE plan, the SEP plan, in any way. It also does not cover some of the other plans, the 403(b)s, 457s, and so on. It also would be very difficult for businesses to administer the way in which this credit is put together.

The Clinton administration Treasury Department had some of these changes they wanted to see to our underlying legislation. We thought they were ill-advised because they went the wrong way, adding more complexity, more regulation and regulations.

□ 1345

So I do not think this is the way to do it.

Instead, let us stick to the underlying bill, of which I appreciate the gentleman's support. It is focused exactly on these workers, focused on trying to expand the coverage to the small companies. Remember, only 19 percent of companies with 25 or fewer employees offer any kind of pension today. Those are the people we are trying to help. Those are the people we are trying to encourage and incentivize to offer a plan.

So I hope we can stick to that today, rather than doubling the cost of the bill with something that is not tested, something that is going to create a lot more complexity.

Mr. Speaker, I reserve the balance of my time.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield myself 30 seconds.

That is precisely the point. We can fit $100 billion into a $900 billion tax cut proposal on the Democratic side, and the gentleman from Ohio (Mr. PORTMAN) has acknowledged they find difficulty in including it in a $1.6 trillion tax cut, even though, as he has pointed out, and again I think in a very sincere form, that there is at least part of this he believes at the end of the day is desirable.

Mr. Speaker, I yield 3 minutes to the gentleman from Michigan (Mr. LEVIN).

(Mr. LEVIN asked and was given permission to revise and extend his remarks.)

Mr. LEVIN. Mr. Speaker, I wanted to join the debate because it is an important debate. Pension reform and expansion are clearly necessary. There are some very strong provisions in this bill, and I think we all appreciate the work of the chief sponsors of this.

I do, though, want to very much rise in support of the amendment of the gentleman from Massachusetts (Mr. NEAL) and address the underlying reasons for it and to respond to some of the criticisms.

We all agree the savings rate needs to be increased, and I hope we all agree that we want more and more people into this effort. Two-thirds of the cost of this bill are the IRA expansion. Two-thirds. I asked the Joint Tax Committee to put together an analysis of the impact of this, and they did not have it before; but they have now provided it. Essentially what they show is that two-thirds, two-thirds, of the benefit would go to families making $75,000 or more.

So, essentially, we have a bill two-thirds of it IRAs and two-thirds of the benefit going to families with incomes of $75,000 and more. Almost half would go to families with incomes of $100,000 or more. And those are not all rich people. Many of these families, $75,000 or $100,000, they are hard working. In most cases both husband and wife are working, and they are earning their income. They are not just clipping coupons.

But, look, that is the fact; that most of the benefit of most of the cost of this would go to families making $75,000 and more. And, essentially, I think this undercuts the notion that this is a bill aimed at mainly low- and middle-income families. Surely not low-income families and surely not most middle-income families.

What the gentleman from Massachusetts (Mr. NEAL) is suggesting is that we expand this bill so that we try to bring everybody into the system, and that is a very good idea. And to suggest that a tax credit is a bad idea because of the error rate, we have argued this endlessly within Ways and Means. The EITC error rate has been going down. It is not clear it is much higher than a lot of other error rates.

And there is the argument that tax credits are suspect. The majority leader here has proposed a refundable health insurance tax credit. If it is good enough for health insurance, I would think it is good enough for a pension program.

So I would hope we would take this seriously and that we would pass it. At the least, if the majority here is not going to vote for it, is going to march in lockstep against it, I hope there will be adequate numbers of people voting for this so we send a message to the Senate that they should try to do better. We can do better than this.

The strong provisions in this bill can be enhanced by spreading the net of pension reform and pension participation to millions of other workers and millions of other families in the United States of America. That is good public policy. So I would hope we would pass this amendment as part of this bill which will certainly pass the House.

Mr. PORTER. Mr. Speaker, I yield 3½ minutes to the gentleman from Florida (Mr. SHAW), a member of the Committee on Ways and Means, chairman of the Subcommittee on Social Security.

Mr. SHAW. Mr. Speaker, I thank the gentleman for yielding me this time.

I think it is important to point out that there is great bipartisan support for the underlying bill in this Chamber. And although it does have broad bipartisan support, we have heard a few of our colleagues say that the proposed reforms in this bill are a giveaway to

those who are already wealthy; that this bill will make it less likely rather than more likely that companies will sponsor plans.

For the last 20 years, we have heard that cutbacks in benefits and contribution limits and so-called top-heavy and other provisions were necessary to increase plan coverage and benefits for the most vulnerable employees. So what has happened? Approximately 50 million Americans now lack private pension coverage, while senior executives have made increasing use of nonqualified plans.

Since 1985, the number of defined benefit pension plans has dropped from 114,000 to 45,000. In 1993, the year after Congress reduced the compensation limit for calculating pension benefits from $235,425 to $150,000, the number of companies in nonqualified plans tripled from 20 to 67 percent.

Only 20 percent of small businesses with 25 or fewer workers now offer a retirement plan. Our savings rate is one-half of 1 percent, which is the lowest level since the Great Depression. Seventy-six million baby boomers will retire within the next 10 years. But studies show older baby boomers have less than 40 percent of the savings needed to avoid a decline in their standard of living after they retire.

Social Security was never designed to be the sole source of retirement income. It was intended to be one leg of a three-legged stool that included employer-sponsored retirement plans and individual savings. This bill will restore the incentive for qualified plans and increase savings, which will benefit all American workers.

The bill restores the contribution and benefit amounts to what they would have been had they not been repeatedly cut back. In order for highly paid employees to take advantage of the higher limits and still pass the nondiscrimination test, companies will have to provide greater benefits to all other workers. The bill's simplifications of the top-heavy and nondiscriminatory rules do not weaken the protection afforded to our workers.

My colleagues also give little attention to the large number of measures in the bill that are specifically designed to promote the retirement security of rank-and-file workers. The bill reduces the vesting period for employer-matching contributions from 5 to 3 years, ensuring that amounts are not forfeited when workers change jobs or leave the workforce for care of their children.

Workers 50 years and older can make additional catch-up contributions to their retirement plan. The security of the private employer-sponsored retirement system will be strengthened when all workers, regardless of income level, share a significant stake in their same retirement plan. This bill provides positive incentives for employers to do exactly that.

And I would hope that the gentleman from Massachusetts would review his speech and review this particular bill when we bring out individual retirement accounts for American workers as part of Social Security. It is the key to saving Social Security, and I think the refundable tax credit going into individual retirement accounts is something I look forward to the gentleman supporting.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield myself 30 seconds.

There was no one on this side who said that this was a giveaway to the rich in the 2 hours of debate that we have been pursuing here. I think, instead, we suggested it was not a balanced proposal, in the sense that the very people that the gentleman from Florida (Mr. SHAW) has referenced here, people that make under $30,000 a year, they are the ones that depend upon Social Security.

We are never going to have a healthy discussion about Social Security and its future in this country as long as we leave those people out of defined pension benefit plans.

Mr. Speaker, I yield 3 minutes to the gentleman from North Dakota (Mr. POMEROY), one of the experts in the House on retirement savings plans, a friend and a member of the Committee on Ways and Means, and a very competent individual.

Mr. POMEROY. Mr. Speaker, I thank the gentleman for yielding me this time and for his kind remarks. I believe he has made a significant contribution to the debate today by offering the substitute, which I intend to support.

As I said when we considered this last Congress, the problem with Portman-Cardin is not what is in the bill, the problem is what is left out. And what is left out is a more meaningful incentive to those who are having the most difficult time saving, moderate-earning households, that simply do not have adequate discretionary income. For that reason we have structured the substitute as an additive proposal. It takes all of Portman-Cardin and adds this to it.

After all, the last two Congresses have passed a variety of new incentives for saving for retirement, but have done virtually nothing for the $50,000 and below household who already had the tax deductible IRA. I think we ought to look at what is actually happening out there.

In a recent study commissioned by the Consumer Federation of America, and conducted by Ohio State economist Catherine Montalto, indicates exactly the problem. Only 44 percent of households in this country are saving at a rate that will provide them an adequate retirement income. Not surprisingly, that is differentiated exactly along earnings lines. Twenty-three percent of those earning between $10,000 and $25,000 have adequate savings; one out of four, one out of four of those earning below $25,000. Fifty-four percent of those $50,000 to a $100,000 households have adequate savings; 69 percent of those over $100,000.

Now that tells us that right across the board we have a lot of work to do, but nowhere do we have more work to do in this than in the plight of moderate- to middle-earning households. For me, the situation for this Congress is to basically pay now or pay later. Either we enhance the ability of these families to accumulate some of their own assets in retirement savings, help them accumulate assets to pay for their own retirement income security, or we are going to have to provide government programs in the future for destitute elderly that were unable to acquire savings.

Ten percent of those presently eligible are saving in IRAs. Ten percent. So for us to say, well, now you can save $5,000 as opposed to $2,000 really may fall short of what they need. If they cannot save $2,000, let me tell my colleagues, they are not going to save $5,000. We need to help them save. I believe conceptually the simplest way to do it on a universal basis is by taking that tax deduction and making a tax credit.

I would frankly structure it slightly differently than the substitute puts this provision forward, but I think the substitute offers a way for us to examine the legitimacy of strengthening savings incentives for modest-earning households. It is basically market principles. They need more incentive to save. Let us help them save, as the substitute does.

Mr. PORTMAN. Mr. Speaker, I yield 2 minutes to the gentlewoman from Connecticut (Mrs. JOHNSON), who, as chair of the Subcommittee on Oversight, was one of the people who helped draft this legislation, and continues to be very important to focusing this legislation on defined benefit plans and on small businesses.

□ 1400

Mrs. JOHNSON of Connecticut. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, I rise in strong support of the underlying bill and in equally strong opposition to the amendment before us. First of all, the amendment does not take into account the remarkable effect this bill is going to have on the availability of pensions to employees across America. It particularly does not seem to notice that by making pension plans far simpler to offer to your employees, stripping out a lot of the regulation, stripping out the cost, many, many employers are going to be able to offer their employees a defined benefit pension plan.

We have seen a sharp decline in the number of defined benefit pension plans offered by employers in America in recent years because of the heavy regulation. They often require no contribution by the employee, and they guarantee you a benefit when you retire, as opposed to the defined contribution plans which only guarantee you what benefit your contribution was able to create.

Why are we helping low-income people by offering them a defined contribution plan when by expanding the number of defined benefit plans, which often do not require any contribution, we are going to create a far better option for them?

Furthermore, many defined benefit plans also do allow you to contribute. The very people that they are concerned about, the amendment is concerned about, the low-income worker who works for a small business, the person earning $10,000 to $15,000, they are the people who get the biggest bang from the tax cut. That is why our tax bill that gives those low-income workers the biggest tax break between the drop to a 10 percent bracket, the marriage penalty relief, the child relief, and the bracket drops, these are the very people who are going to get more dollars and can put those dollars into savings vehicles.

But if they put them into savings vehicles like a defined benefit plan, they will get the expander effect of the employer contribution. So this bill is dynamite for low-income workers and small businesses.

In a country where past pension policy has forced employers to drop their pensions because the regulations have been so heavy and so complicated, and the court costs so great, for a country that now has 50 percent of its working people working for employers who do not provide any pension plan at all for their employees, this bill is an imperative to pass now in the full form of its underlying legislation.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 2 minutes to the gentleman from New Jersey (Mr. ANDREWS), who is the ranking member on the Subcommittee on Employer-Employee Relations.

(Mr. ANDREWS asked and was given permission to revise and extend his remarks.)

Mr. ANDREWS. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, I rise in support of this amendment of which I am pleased to be a cosponsor. I am a strong supporter of the underlying bill, but I believe this amendment complements the underlying bill in a very positive way. Seventy-nine percent of working Americans who work for an employer with 25 or fewer employees do not have a pension.

I think that some of those Americans will be helped by the underlying bill, but I think those who work in narrow-margin industries, that is, companies with small profit margins and particularly those people who work at the entry level, will not be largely helped by the underlying bill. They will be helped by the substitute by the gentleman from Massachusetts (Mr. NEAL).

This amendment is about the people who wait on tables and work in the child care centers and work in the retail stores. They are at the bottom of the pay grade. They are in industries where margins are very thin, and I believe we can put any amount of tax incentives for an employer in the bill, and those employees cannot because they cannot afford to reach pension coverage. A plan that says the government will match part of the contributions for these employees is one that will work.

I agree with the gentleman from North Dakota (Mr. POMEROY). We are either going to pay now or pay later. People are going to live longer, their resources are going to be stretched further. If they do not have private pension coverage, the Treasury will be called upon to meet those needs in future years. This is a wise amendment that complements the underlying bill. I urge its adoption.

Mr. PORTMAN. Mr. Speaker, I yield 2 minutes to the gentleman from Texas (Mr. BRADY), a member of the Committee on Ways and Means, who has taken an active role on this legislation.

Mr. BRADY of Texas. Mr. Speaker, I join others in congratulating the bipartisan authors of this bill, the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN), because we make saving so difficult in this country. Every one of us knows that to have a good, safe retirement, we have to have a three-legged stool: Social Security that you can count on, personal savings in the bank, and a retirement plan at work.

President Bush has signaled today that he is dead serious about preserving Social Security once and for all. The timing of this bill could not be better because we are trying to address the other two legs of that stool: personal savings and retirement plans at work.

Some people call this tax relief. I disagree. I do not know why we tax people at all for savings. I think we ought to encourage them to save for their retirement, for education, for college, for health care. This is merely Washington getting out of the way and allowing people to put money aside.

I think the original bill is much stronger for small businesses and for low- and moderate-income savers because of a simple approach. Under the amendment that is proposed right now, we basically say to small businesses, if you are eligible under plan A and institute plans B, C and D, and file under E and F, you may be eligible for a partial tax credit. In other words, we will pay you to file more paperwork to endure all of this paperwork.

The Portman plan does the opposite. It says regulation complicates and frustrates savings.

We are going to remove the regulation. We are going to encourage small businesses to set up plans for their employees. We know it works because in 1984 when we started regulating these plans, the number of savings plans went from 114,000 to 45,000. We drove proven savers out of the market, and it is time to put those saving plans back into place. Low- and moderate-income people normally do not have the ability to save on their own. They save at work.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 3 minutes to the gentlewoman from Ohio (Mrs. JONES).

Mrs. JONES of Ohio. Mr. Speaker, I thank the gentleman for yielding me this time.

Mr. Speaker, I want to commend the gentleman from Maryland (Mr. CARDIN) and the gentleman from Ohio (Mr. PORTMAN) for the underlying bill. I am on record supporting the underlying bill, but I rise in support of the Democratic substitute because I think it addresses an area that is not addressed by the underlying bill.

Since I came to Congress, a lot of people say, what are you going to be remembered for when you leave Congress. One of the things that I want to be remembered for is helping my constituents and people across the country develop economic wealth, because I believe economic empowerment is the tool that is the equalizer for all people in this country.

If we can give them economic sufficiency, then they can live in wonderful homes where they can raise their families. If we can give them economic sufficiency, they can afford to pay the taxes to support their school systems and feel good about themselves and make a decent wage and take a vacation once in awhile.

One of the keys to economic wealth development is the ability to purchase a home. The home becomes the wealth that one generation passes to the next in a low- or moderate-income family. Another way is a savings account, and one of the ways that we begin to look at or deal with low-income families who have attempted to begin the process of saving is through IDAs, where we match the income, that match the dollars that they save through saving programs. In Ohio right now, we have a wonderful program called Cleveland Saves that is being funded by the Ford Foundation to encourage low- and moderate-income families to save.

The third way is a retirement plan. It is my belief that the retirement plan under H.R. 10 does not focus in on the low- and moderate-income worker, and that the tax cut that is being proposed or is on the table does not truly benefit the low- and moderate-income worker. The only way we can assist them in creating their own retirement plan is through the adoption of the substitute bill that is being offered by my colleague, the gentleman from Massachusetts (Mr. NEAL).

It is very, very important that we start now to benefit families in low- and moderate-income areas to build retirement plans so they understand, as time goes along, they will have something in addition to Social Security to support their families.

Mr. Speaker, again I say to my colleagues, the gentleman from Ohio (Mr. PORTMAN) and the gentleman from

Maryland (Mr. CARDIN), thank you for offering this legislation, but step a little bit to the left or a little bit to the right, whichever way you choose to express it, and adopt the Democratic substitute on top of this underlying bill, and then all Americans in this country will be able to benefit from your proposal.

Mr. PORTMAN. Mr. Speaker, I yield 2 minutes to the gentleman from Minnesota (Mr. GUTKNECHT).

Mr. GUTKNECHT. Mr. Speaker, I thank the gentleman for yielding me this time; and it is especially unusual for the gentleman from Ohio (Mr. PORTMAN) to yield to me because I rise in the uncomfortable position of opposing both the bill and the substitute, and I would like to explain why.

I am not an expert on pension policy, but I did serve on the pension commission in the State of Minnesota, and I think I know a little bit about pension policy.

Mr. Speaker, virtually everything in this bill is a good provision. Frankly, I think what the gentleman from Massachusetts (Mr. NEAL) is talking about is something that deserves serious consideration as we talk about the future of Social Security. The fatal flaw of this bill is, it fails to deal with one of the most important issues, and that is a definition of the term ''vested.''

A few minutes ago, the gentlewoman from Connecticut (Mrs. JOHNSON) said that she hoped this would mean more companies would be offering defined benefit programs. I hope that is true. The problem is, even if they offer those programs, the companies will have the chance to change those after the plan has started. This has happened to literally thousands of employees here in the United States.

It happened to many of the people in my district who worked for a great company, IBM. After they had been vested, IBM changed their pension plan from a defined benefit plan to a new, convoluted program that they call a cash balance plan. None of those employees were given a choice to stay with the plan that they were vested in.

The dictionary defines ''vested'' very clearly. It is law. It is settled. It is fixed. It is absolute, being without contingency, a vested right. If we asked every Member of Congress and every American if that is how they define ''vested,'' that is how we would define it. But that is not how the law defines it.

That is a fundamental flaw of this legislation. It is a glaring mistake that this Congress has failed to address. And my colleagues, I promise, as sure as this is spring back in Minnesota, this is going to come raining down on this Congress or future Congresses. If we do not deal with this issue, sooner or later, America is going to have hundreds of thousands of employees who thought their programs were vested, and they are going to find out that they were not.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 2 minutes to the gentleman from Vermont (Mr. SANDERS) whose pitched battle with IBM is on the cutting edge of what the gentleman from Minnesota (Mr. GUTKNECHT) just pointed out.

Mr. SANDERS. Mr. Speaker, I thank the gentleman for yielding me this time, and I want to echo the remarks of the gentleman from Mr. Minnesota (Mr. GUTKNECHT).

Mr. Speaker, I think there is a lot to be said for the underlying bill. I think the Democratic amendment makes the bill stronger, but I am going to vote against the Republican bill and the Democratic alternative because in my State and throughout this country, there are huge numbers of workers who were promised benefits when they signed up for the job, and then those benefits were taken away from them in the dead of night when the defined benefits that they had signed on for were converted into cash balance payments.

I personally regard it as an immoral outrage that IBM, among many other companies, which has a CEO that has received $175 million in compensation in a 2-year period, has $500 million in unexercised stock options, felt it necessary when they had a pension surplus to cut back on the pension promises made to tens of thousands of their workers, not to mention the health care promises made to their retirees.

Mr. Speaker, it is my intention to offer a motion to recommit, which is cosponsored by the gentleman from Minnesota (Mr. GUTKNECHT), among others, which basically says that when a company makes an agreement with a worker and promises defined benefit, that they cannot simply in the middle of the night change their minds and convert that to a cash balance payment which could cost those workers up to 50 percent of the benefits that they were promised.

All over this country there is what I call pension anxiety, and that is workers who are 50–55 years of age who are wondering whether or not they will receive the benefits, the retirement benefits, they were promised. I think they should, and I think it is unfortunate that the underlying bill and the amendment do not address this important issue.

□ 1415

Mr. PORTMAN. Mr. Speaker, I yield myself 1 minute just to respond briefly to the gentleman from Minnesota (Mr. GUTKNECHT) and the gentleman from Vermont (Mr. SANDERS). I think we will have this on a motion to recommit as well, but the point ought to be made and made very clearly that the underlying legislation actually addresses this issue. It actually moves the ball forward. It provides disclosure. It provides notification in the case of cash balance conversions. It also, as compared to last year, actually deals with the issue of early retirement, so it not only is an improvement from current law, it is an improvement from last year's bill, partly because of the comments that were made to me by the gentleman from Minnesota (Mr. GUTKNECHT), the gentleman from Vermont (Mr. SANDERS), and others. So we do address the issue, and we do it in a responsible way.

Mr. Speaker, I yield 2 minutes to the gentleman from California (Mr. ROYCE).

Mr. ROYCE. Mr. Speaker, I want to begin by thanking the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN) for their effective effort to get this bill to the House floor. Let me just say that it was only a few generations ago that pensions were almost exclusive to a privileged few in this country. For too many, the golden years were marked by financial insecurity. Today, the majority of American workers and their families have the opportunity to spend their retirement years in relative comfort.

Our private pension system has played a crucial role to accomplish this turnaround. Clearly, Social Security alone is not enough. The private pension system is an indispensable part of the retirement security of American workers. I believe this bill encourages American workers to start saving for tomorrow today. I think the pension reforms we are considering will help individuals prepare for a better future. I also believe that the potential for fraud and abuse with regard to the substitute proposal is significant. I think it would certainly be very difficult to administer.

I support the underlying pension reform bill. And I think with that bill, we are raising the limit on IRA contributions, we have increased pension portability to allow workers to roll over their pension savings between plans when they change jobs, we have basically streamlined rules and regulations to make it easier for small businesses to offer pensions; and the underlying bill increases protection for workers by increasing notification and disclosure in the area of cash balance conversion compared to existing law. I think if all these changes are enacted, they will provide millions of American workers with much better tools to prepare for retirement.

Let us help Americans with their retirement security. I am pleased to be a cosponsor of this legislation. I urge my colleagues to pass H.R. 10 and oppose the substitute.

Mr. PORTMAN. Mr. Speaker, I yield 3 minutes to the gentleman from New York (Mr. FOSSELLA).

(Mr. FOSSELLA asked and was given permission to revise and extend his remarks.)

Mr. FOSSELLA. Mr. Speaker, I thank the gentleman from Ohio for yielding me this time.

I think, as has been said many times today, this bill is long overdue and it is a tremendous benefit for the American people. Essentially what it does and if you ask any American, I know if you ask anybody back home in Staten Island or Brooklyn, if they are given the

opportunity to set a little more money aside for their retirement, will they take advantage of it? This bill does that. This bill for the first time in years says to that hardworking individual or two, you can take a little more money and save it for your golden years. Is that not what we should be trying to do? Should we not be empowering Americans to say that they should have the freedom to spend a little more money for their own retirement as they see fit?

We all know that different families have different needs, young, old. But we also should have a fundamental agreement that when Americans, when individuals are given the freedom to invest and to save on their own, we are doing not only them a service but we are doing the entire Nation a service. On Staten Island, for example, we have a lot of police officers, firefighters, sanitation workers, a lot of civil servants, city workers. Right now, if they decide to change careers, which is their right, they cannot roll over their contributions into another retirement plan, a 401(k) or an IRA. This bill solves that problem, giving them more freedom and more flexibility. For the carpenter, the tradesman, right now he is limited upon retirement with his benefits. This bill allows him more money. It raises that cap. Is that not what we should be trying to do?

In short, I credit the gentleman from Ohio and all Members of this body who support this legislation, because at its core it says to the American people, we trust you. We want to give you more incentives, more opportunities and more freedom to set aside your hard-earned money as you see fit for your retirement. Then you can go off and buy that second home, invest in your grandchildren's education, buy that second car but it is up to you.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 30 seconds to the gentleman from Vermont (Mr. SANDERS).

Mr. SANDERS. I thank the gentleman for yielding time.

Mr. Speaker, a moment ago the gentleman from Ohio (Mr. PORTMAN) indicated that his legislation deals with the fact that millions of workers have seen reductions in the pensions promised to them by companies converting from defined benefits to cash balance payments. I wonder if the gentleman from Ohio can be specific and tell those millions of workers who were double-crossed by large companies like IBM how his legislation is going to improve their situation.

Mr. PORTMAN. Mr. Speaker, I yield myself 30 seconds to respond to the question from the gentleman since he asked for a question on our time. What I said is accurate which is that this bill does address the question of cash balance conversions. It does so in three very important ways: number one, it addresses the issue of disclosure. It says the disclosure has to be in plain English which is also in their motion to recommit, I understand. It also addresses the issue of notification. It makes sure that not only do we have disclosure but it is notification in advance of what current law requires. It also says, as compared to last year's legislation, that changes to early retirement benefits would also have to be disclosed, which is not current legislation, not even the last year's law. My only point is that in a responsible way we have tried to address this issue, and we have done it in a bipartisan manner.

Mr. Speaker, I yield 2 minutes to the gentleman from Illinois (Mr. KIRK), a new Member of the Congress who has spent a lot of time looking at these retirement issues.

Mr. KIRK. Mr. Speaker, I rise in support of the majority bill here. H.R. 10 has a particular provision in it which I strongly support, and, that is, the catch-up provision for individuals age 50 and above. This is particularly important for working women. The provision allows women entering the workforce, presumably after raising children, to make an additional contribution of up to $5,000 to their IRA or their 401(k) plan.

Within the next 15 years, more than 76 million baby boomers will retire. Studies have shown that older baby boomers have less than 40 percent of the savings they will need to maintain their standard of living in retirement.

For women who have chosen to raise children at home and work intermittently, their situation is even more dire. The Department of Labor estimates that less than one in every three women are covered by a retirement pension plan. These plans are proven to pay out greater benefits than Social Security, yet they are not readily available to most women and employees of small businesses. H.R. 10 will allow women approaching retirement age to save the extra money they need, or to catch up on their retirement savings lost because of time off from work. H.R. 10 truly enhances retirement pension fairness for women, an important fact that is often overlooked in discussions about this legislation.

H.R. 10 will improve the quality of life for millions of Americans during their retirement. I urge my colleagues to support these important modernizations and to oppose the substitute.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield 3 minutes to the gentleman from California (Mr. BECERRA), a valued member of the Committee on Ways and Means.

Mr. BECERRA. Mr. Speaker, I thank the gentleman for yielding time. Let me begin by complimenting the principal authors of this legislation. I know that the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN) have been working for many years to get us to this point. I want to applaud their efforts to try to improve the retirement system we have which will allow pensions to be a more fruitful vehicle for people in this country who work to have a chance to really live out their retirement in comfort.

I believe that we have reached a new age, though. This is an age where chances are a teenager has secured a credit card before he or she has secured a driver's license. With that being said, it seems to me that we have to do everything we can to make it possible for all Americans to save and not just to save but to save for their retirement.

It is time for us to make it possible for all workers in this country to engage in pension investments. Unfortunately, we are not there yet. While H.R. 10, I believe, does a tremendous job of improving those opportunities for workers who currently have access to pensions, I believe we have to go that extra mile now and talk about a lot of America's workers, principally low- and moderate-income working Americans who have not yet had the opportunity to invest in pensions. It is time for us to do that, because if we do not, we will pay the price once they retire.

Let us remember that H.R. 10 gives incentives principally through increases in opportunities to invest, to put more money in, whether it is your IRA or your 401(k). But if you do not have the money left over at the end of the year to invest, you cannot take advantage of those vehicles. It is time for us to give the incentives for lower-income workers to do exactly that, to say, I am going to save, I am going to pinch a little bit more because if I do, I am going to get a tax credit for having done so.

For that small businessman or woman who would love to be able to offer his or her workers those pension opportunities, if we give them a credit, the incentive, it is going to cost you a little bit of money but we are going to give you some of that back because we are going to give you a tax credit for having participated, what we in essence have done is said to all Americans, all workers in this country, we want you to also participate in these savings.

H.R. 10 does a tremendous job of making retirement savings even more important to the average American who wants to prepare for retirement. What we do not do through H.R. 10 is go the extra mile and talk to low- and moderate-income working Americans and say we want you to participate as well. We need to bring them into the fold. If we do not, we will pay the price in the end of the game. I think what the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN) have done is a tremendous effort. I think if we pass the Neal substitute, we make this an even better bill and we do it for all Americans. I urge everyone to vote for the Neal substitute.

Mr. PORTMAN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, I want to start by thanking the gentleman from California (Mr. BECERRA) for his comments about the underlying bill and the way in which he and other members of our

committee on the other side of the aisle have worked with us on this legislation. As I said at the outset, this has been a 4- or 5-year process, bipartisan from the start.

We have refined it through that process. We believe that this legislation, the underlying bill, addresses the problem that confronts us, which is again that half the American workforce does not have that critical third leg of the retirement savings stool which is employer-sponsored plans. We also help with regard to personal savings, the critical second leg of that stool, by expanding IRAs. Finally, as someone has said earlier today, the President today has indicated his strong interest in moving forward on that third important leg, Social Security.

All three are important. What we can do today is make tremendous progress focusing on where the most potential for gain is, and that is among our small business employers.

I have talked a little about the substitute today and some of the concerns I have with it. First is the cost. It almost doubles the size of the legislation before us. We are trying to keep this a fiscally conservative bill so that it can be part of any final tax relief package that goes to the President's desk. Second on the merits, the refundable tax credit has a number of problems in terms of its implementation, administerability and this is something that has happened over the years with the earned income tax credit.

We know from the Treasury Department in the Clinton years that the mispayment rate is about 25 percent. We do not believe getting into that kind of a program is necessary, and we think it has a lot of hazards to it particularly in the area of trying to administer it with the small business tax credits. I also have some concerns about the way in which it is drafted. It does not cover some of the plans that most small businesses use. And finally it adds some new restrictions to small businesses that we do not think are important, in fact go the wrong way in terms of loosening up the requirements and letting small business offer more of these plans to their workers.

□ 1430

Finally, I will say that the legislation, the underlying legislation, targets precisely those people that the gentleman from Massachusetts (Mr. NEAL), in a good faith effort, is attempting to target in this substitute.

Let me be more specific. Again, in the area of small business, we only have 19 percent of companies with 25 or fewer employees offering any kind of pension at all today. Those are the very people who we are targeting by, yes, lessening the restrictions, the costs, the burdens, the liabilities in these plans, by directly giving the people who make the decisions in these plans more incentives to offer the plans by increased contributions. This is the whole focus of the legislation.

Let me give some very interesting statistics. I have heard here today how low-income workers are not going to participate and so on. If an employer offers a plan, people will participate. If they build it, they will come. Among people who make $20,000 to $39,000 a year, 85 percent participate when an employer offers a plan, even a SIMPLE plan, a SEP plan, the most simple of plans. A 401(k), it is even more than that. Among people who make less than $20,000 a year, 68 percent, Mr. Speaker, over two-thirds of those people participate when an employer offers a plan.

These statistics are from the Congressional Research Service, by the way. This is not from even the Committee on Ways and Means, much less the Republican side. This is unbiased information that shows that the great potential here is to get these small business employers in plans. That is what we do. We do it through a number of different ways that I have talked about, but we also help with regard to vesting, taking it from 5 years to 3 years because these very workers tend to move jobs more quickly, more often. We do it by dramatically improving the idea that someone ought to offer a defined benefit plan. This is where the employee makes no contribution. So the low-income employees who are in companies that are now going to offer defined benefit plans, thanks to this legislation, are going to benefit directly.

We do it by a very interesting change in the law that says there should no longer be an arbitrary limit, that 25 percent of your compensation is all that can be put into a pension. Who does that hurt? That hurts the low- and moderate-income worker; well-meaning restriction put in place by this Congress. It does not make any sense because it actually erodes the ability of the low-income worker and the moderate-income worker to put what they want to put aside for their retirement. We eliminate the 25 percent of comp rule altogether.

We also have increased portability, as I said earlier, which will extremely focus on the folks who are moving around a lot, folks who now cash out their plan because when they move from job to job, say from a schoolteacher to a job in the private sector, they end up with two plans and most of those people actually cash out. We are now saying those plans can come together in a seamless way.

The point, Mr. Speaker, is this: the underlying legislation addresses the problem in the substitute. It addresses it in a conservative way in terms of the fiscal impact. It addresses it in a way that directly relates to the existing problem, what we know about it, and it has been, as I said, over the last 4 or 5 years an entirely bipartisan effort, a comprehensive look at our problems and the best ways to address them.

I urge my colleagues to vote, therefore, against the substitute and support the underlying legislation.

Mr. Speaker, I reserve the balance of my time.

Mr. NEAL of Massachusetts. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, at this time I would close on our side. I want to thank the gentleman from Ohio (Mr. PORTMAN) for the quality of the debate that has taken place here today and also to thank the gentleman from New York (Mr. RANGEL) and the gentleman from California (Mr. THOMAS) because the debate in committee I thought was good as well. I also appreciate the fact that the gentleman from Ohio (Mr. PORTMAN) said just a few moments ago that he had honest information that came from the Congressional Research Bureau, that the information did not come from the Republican side or it did not come from the Committee on Ways and Means. So we do appreciate that statement that the gentleman was able to offer for us.

This has been a good debate, and it has been legitimate. There is a sincere difference of opinion here on how to proceed. I have acknowledged time and again that I believe that the underlying support for this bill is indicative of the fact that it does address many of the problems that we have spoken to in committee during the last few years.

The key question that we face today, Mr. Speaker, is essentially this: How do we get low- and moderate-income workers to be full participants in the private retirement system of this country? We must help those who are not covered by a pension plan or who are covered by a pension plan but do not participate, or those who simply cannot put enough money away in their retirement plan, although they are trying very hard to make modest contributions.

I submit that H.R. 10 as currently constructed really does not address those issues, although it does solve a number of other problems in our pension system. I believe the issue of low- and moderate-income workers needs to be faced this year, or surely we are going to be back here very soon attempting to do something. Why not do it today?

I do not think the cost is very great given the size of the tax bills both Democrats and Republicans are talking about, and I do not believe that there will be a great deal of administrative complexity surrounding the retirement saving account proposals. Workers know how much they put into their pension plans, and there is a paper trail that everybody can easily check, just like every other line on our income tax forms. Pension contributions are a document that on a taxpayer's W–2 form right now, contributions under my RSA proposal, would receive the same scrutiny and treatment.

H.R. 10 increases contribution limits on individual retirement accounts and on qualified pension plans in hopes that business owners will bring other

employees along as they take advantage of these new provisions. The gentleman from California (Mr. THOMAS) and I pursued this last year, the Roth IRA. I do not object to that at all, but the underlying tone of this debate today is, maybe so but maybe not so as well. Either way, it simply makes sense to give small business owners a direct incentive to offer pension plans to their employees.

Tax credits to cover the part of administrative costs of opening up a new pension plan and tax credits to help employers with the cost of making contributions on behalf of their employees in the early years simply makes very good sense.

In fact, it makes so much sense that these issues are going to be in the conference report one way or another.

I would urge us today to do it right now in the next half hour to 45 minutes. I hope my colleagues will support the substitute. It is anything but partisan. It speaks to a legitimate interest that we all have, and that is how do we get low- and moderate-income workers into a bona fide retirement plan? The proposal before us is a sound one. With this substitute, we can improve upon the work of the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN). I would ask a favorable consideration at the right time.

Mr. Speaker, I yield back the balance of my time.

Mr. PORTMAN. Mr. Speaker, I would like to commend the gentleman from Massachusetts (Mr. NEAL) for a good debate here on the floor, and I yield the remainder of our time to the distinguished gentleman from Texas (Mr. ARMEY), the majority leader. There is no Member of Congress in leadership or otherwise, Mr. Speaker, who is more committed to passage of this legislation and has been more helpful to it than the gentleman from Texas (Mr. ARMEY).

The SPEAKER pro tempore (Mr. QUINN). The gentleman from Texas (Mr. ARMEY), the majority leader, is recognized for 3 minutes.

Mr. ARMEY. Mr. Speaker, I thank the gentleman from Ohio (Mr. PORTMAN) for yielding me this time, and I thank the gentleman from Massachusetts (Mr. NEAL) for his comments.

Mr. Speaker, I would have and had planned to be here to speak in the general debate on the underlying bill but was called to the White House to discuss the overall budget circumstances, the overall tax bill. So if I may just take a moment to apologize to the gentleman from Massachusetts (Mr. NEAL) for speaking about the underlying bill during time on his substitute.

At the White House, of course, we are very excited and enthusiastic about the possibility of completing the budget, which we may expect to see on the floor tomorrow, and then subsequently to move forward and talk about the reduction in taxes that we have available for the American people within that some $1.3 trillion over the next 10 years.

As I approached that discussion, I looked at all the things that we are trying to accomplish in tax reduction, and the fact of the matter is we have so much to do and so little room within $1.3 trillion to accomplish it all. Certainly we want to set some things right, end the marriage penalty and the death taxes; reduce rates across the board on all taxpayers who are overtaxed.

I was acutely aware that one of my personal objectives, my second highest priority for what I would expect to be in that package, is this exact bill. I wanted to thank the gentleman from Ohio (Mr. PORTMAN) for bringing this bill forward, as he has remained faithful to it.

Why do I feel so strongly about this? Because like the other things we try to do, it speaks to the heart and the objectives and the hopes and the dreams of the American family. The American working man and woman get a bum rap every now and then from the pundits, the commentators. All too often I hear that America is a Nation of people that are poor savers. That is not fair. That is not right. We are a Nation of people that understand our hopes and dreams for a lifetime, and we understand that in our younger working years a very big part of what we may do then and now is to care for what we will be able to have as resources in our older years and, therefore, saving is important to us, but we struggle. We struggle in all those younger years when we have our young children to raise and all the expenses and all the things we would like to accomplish, in the building of a home, sometimes the building of a business, for some opportunity to save, against the fact that all too often we are asked to save after-tax dollars. What this bill is doing to some extent is saying, let us get the Government out of the way. Remove the Government from between a person and their dream by giving them an enhanced opportunity to save tax-exempt dollars in the current time period and catch up with that later but now to get that money forward.

So the first reason I like this bill is it enhances our opportunity for saving, first by expanding the opportunity to take tax-exempt dollars to our savings accounts. It also enhances our opportunity by removing government red tape and giving more institutions, more small businesses in particular, more opportunity to offer savings as an option at the world of work for these men and women.

Yes, it increases the dollars. It expands the opportunity by dealing with those spouses in America, most of whom are women, who choose to make their living for their family at home, where they specialize in what I like to call the things one does for love and their pay is not there in the form of a paycheck, who are today, under today's laws, foreclosed from equal access to savings opportunity with women who choose to work outside the home.

It should be only fair that we give everybody an equal opportunity of this chance to save for their retirement years, irrespective of how they make their living for their family, outside the house doing, of course, important things, or back home and doing at least what we would have to recognize as the more heartwarming things, if not indeed the more important things.

Then the final thing that I like about this, especially in today's world of work, where we have so much mobility, is the opportunity for one to feel free to move from this job to a better job, from this employer to a better employer, to a new opportunity and take their pension with them. This portability feature is important. So this is a good bill.

There are a couple of problems I have with the substitute. I will just mention them: one, as soon as one moves from a tax exemption to a tax credit, one deals the Government back in. What we are trying to do is get the Government of the United States out from between the American citizen and their savings hopes. As soon as the Government is back in, the Government will reintroduce its red tape; and we will be back to where we were with a complicated system of government regulations.

The other is the cost. I am committed, with my highest sense of priority, to not only passing this bill today but to seeing this bill included in the reconciliation package that will result in real tax enacted in law signed by the President in the next few weeks. It is going to be tough enough for me to say to everybody with all their other priorities, move over and let Portman-Cardin have their place in here. It is just, unfortunately, not something we could do if it was carrying that larger price tag.

So let us recognize we have a good effort here, an effort that is doable and when it is doable for us to accomplish the right thing to do for the good and true working men and women of this country, to help them on their own terms with their own resources fulfill their own dreams. We ought to do it. So I would ask my colleagues, please, vote against the substitute. Vote for the bill, and let us get about the business of making more savings opportunities more richly available for more working men and women in this country.

Mr. HEFLEY. Mr. Speaker, I am opposed to the Substitute Amendment. Americans should be allowed to prepare for their own retirement and should be encouraged to do so. The national savings rate is at an all time low. We must improve our retirement plans so that Americans may take full advantage of the opportunities that they provide.

H.R. 10 expands and strengthens our nation's private retirement savings system, making it easier for Americans to save. The Substitute only creates a costly new entitlement program. The Substitute Amendment adds

three new tax credits to H.R. 10, which only complicate the Tax Code. A new refundable tax credit for savers, as proposed in the Substitute, would be difficult to monitor. Also, the Substitute includes new Small Business Tax Credits. Employers could only claim these credits for three years, reducing their value as incentives to start and maintain plans. H.R. 10 already helps small businesses by reducing administrative burdens.

H.R. 10 simplifies the administrative rules that apply to retirement plans. The Substitute Amendment only complicates the rules. H.R. 10 encourages individual retirement savings by providing greater pension simplification and increased savings opportunities. For these reasons and more, I encourage my colleagues to support H.R. 10 and oppose this Amendment.

□ 1445

The SPEAKER pro tempore (Mr. QUINN). Pursuant to House Resolution 127, the previous question is ordered on the bill, as amended, and on the amendment in the nature of a substitute offered by the gentleman from Massachusetts (Mr. NEAL).

The question is on the amendment in the nature of a substitute offered by the gentleman from Massachusetts (Mr. NEAL).

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

Mr. NEAL of Massachusetts. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 207, nays 223, not voting 1, as follows:

[Roll No. 94]

YEAS—207

Abercrombie
Ackerman
Allen
Andrews
Baca
Baird
Baldacci
Baldwin
Barcia
Barrett
Becerra
Bentsen
Berkley
Berman
Berry
Bishop
Blagojevich
Blumenauer
Bonior
Borski
Boswell
Boucher
Boyd
Brady (PA)
Brown (FL)
Brown (OH)
Capps
Capuano
Cardin
Carson (IN)
Carson (OK)
Clay
Clayton
Clement
Clyburn
Condit
Conyers
Costello
Coyne
Cramer
Crowley
Cummings
Davis (CA)
Davis (FL)
Davis (IL)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Dicks
Dingell
Doggett
Dooley
Doyle
Edwards
Engel
Eshoo
Etheridge
Evans
Farr
Fattah
Filner
Ford
Frank
Frost
Gephardt
Gonzalez
Gordon
Green (TX)
Gutierrez
Hall (OH)
Hall (TX)
Harman
Hastings (FL)
Hill
Hilliard
Hinchey
Hinojosa
Hoeffel
Holden
Holt
Honda
Hooley
Hoyer
Inslee
Israel
Jackson (IL)
Jackson-Lee (TX)
Jefferson
John
Johnson, E. B.
Jones (OH)
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NOT VOTING—1

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Messrs. FOLEY, FRELINGHUYSEN, KING, TOM DAVIS of Virginia, TIBERI, GREENWOOD, and SAXTON changed their vote from ''yea'' to ''nay.''

Mr. MOORE and Ms. HARMAN changed their vote from ''nay'' to ''yea''.

So the amendment in the nature of a substitute was rejected.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. QUINN). The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER pro tempore. The question is on the passage of the bill.

MOTION TO RECOMMIT OFFERED BY MR. SANDERS

Mr. SANDERS. Mr. Speaker, I offer a motion to recommit with instructions.

The SPEAKER pro tempore. Is the gentleman opposed to the bill?

Mr. SANDERS. I am opposed to the bill in its present form, Mr. Speaker.

The SPEAKER pro tempore. The Clerk will report the motion to recommit.

The Clerk read as follows:

Mr. SANDERS of Vermont moves to recommit the bill (H.R. 10) to the Committee on Education and the Workforce and the Committee on Ways and Means with instructions to report the same back to the House forthwith with the following amendment:

Strike section 504 and insert the following new section:

SEC. 504. TREATMENT OF PLAN AMENDMENTS SIGNIFICANTLY REDUCING FUTURE BENEFIT ACCRUALS.

(a) NOTICE REQUIREMENTS FOR DEFINED BENEFIT PLANS OF 100 OR MORE PARTICIPANTS.—

(1) PLAN REQUIREMENT.—Section 401(a) of the Internal Revenue Code of 1986 (relating to qualified pension, profit-sharing, and stock bonus plans) is amended by inserting after paragraph (34) the following new paragraph:

''(35) NOTICE REQUIREMENTS FOR DEFINED BENEFIT PLANS OF 100 OR MORE PARTICIPANTS SIGNIFICANTLY REDUCING FUTURE BENEFIT ACCRUALS.—

''(A) IN GENERAL.—If a large defined benefit plan adopts an amendment which has the effect of significantly reducing the rate of future benefit accrual of 1 or more participants, a trust which is part of such plan shall not constitute a qualified trust under this section unless, after adoption of such amendment and not less than 45 days before its effective date, the plan administrator provides—

''(i) a written statement of benefit change described in subparagraph (B) to each applicable individual, and

''(ii) a written notice setting forth the plan amendment and its effective date to each employee organization representing participants in the plan.

Any such notice may be provided to a person designated, in writing, by the person to which it would otherwise be provided. The plan administrator shall not be treated as failing to meet the requirements of this subparagraph merely because the statement or notice is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.

''(B) STATEMENT OF BENEFIT CHANGE.—A statement of benefit change described in this subparagraph shall—

''(i) be written in a manner calculated to be understood by the average plan participant, and

''(ii) include the information described in subparagraph (C).

''(C) INFORMATION CONTAINED IN STATEMENT OF BENEFIT CHANGE.—The information described in this subparagraph includes the following:

''(i) Notice setting forth the plan amendment and its effective date.

''(ii) A comparison of the following amounts under the plan with respect to an applicable individual, determined both with and without regard to the plan amendment:

''(I) The accrued benefit and the present value of the accrued benefit as of the effective date.

''(II) The projected accrued benefit and the projected present value of the accrued benefit as of the date which is 3 years, 5 years, and 10 years from the effective date and as of the normal retirement age.

''(iii) A table of all annuity factors used to calculate benefits under the plan, presented in the form provided in section 72 and the regulations thereunder.

Benefits described in clause (ii) shall be stated separately and shall be calculated by using the applicable mortality table and the applicable interest rate under section 417(e)(3)(A).

''(D) LARGE DEFINED BENEFIT PLAN; APPLICABLE INDIVIDUAL.—For purposes of this paragraph—

''(i) LARGE DEFINED BENEFIT PLAN.—The term 'large defined benefit plan' means any defined benefit plan which had 100 or more participants who had accrued a benefit under the plan (whether or not vested) as of the last day of the plan year preceding the plan year in which the plan amendment becomes effective.

''(ii) APPLICABLE INDIVIDUAL.—The term 'applicable individual' means—

''(I) each participant in the plan, and

''(II) each beneficiary who is an alternate payee (within the meaning of section 414(p)(8)) under an applicable qualified domestic relations order (within the meaning of section 414(p)(1)(A)).

''(E) ACCRUED BENEFIT; PROJECTED RETIREMENT BENEFIT.—For purposes of this paragraph—

''(i) PRESENT VALUE OF ACCRUED BENEFIT.—The present value of an accrued benefit of any applicable individual shall be calculated as if the accrued benefit were in the form of a single life annuity commencing at the participant's normal retirement age (and by taking into account any early retirement subsidy).

''(ii) PROJECTED ACCRUED BENEFIT.—

''(I) IN GENERAL.—The projected accrued benefit of any applicable individual shall be calculated as if the benefit were payable in the form of a single life annuity commencing at the participant's normal retirement age (and by taking into account any early retirement subsidy).

''(II) COMPENSATION AND OTHER ASSUMPTIONS.—Such benefit shall be calculated by assuming that compensation and all other benefit factors would increase for each plan year beginning after the effective date of the plan amendment at a rate equal to the median average of the CPI increase percentage (as defined in section 215(i) of the Social Security Act) for the 5 calendar years immediately preceding the calendar year before the calendar year in which such effective date occurs.

''(III) BENEFIT FACTORS.—For purposes of subclause (II), the term 'benefit factors' means social security benefits and all other relevant factors under section 411(b)(1)(A) used to compute benefits under the plan which had increased from the 2d plan year preceding the plan year in which the effective date of the plan amendment occurs to the 1st such preceding plan year.

''(iii) NORMAL RETIREMENT AGE.—The term 'normal retirement age' means the later of—

''(I) the date determined under section 411(a)(8), or

''(II) the date a plan participant attains age 62.''.

(2) AMENDMENTS TO ERISA.—

(A) BENEFIT STATEMENT REQUIREMENT.—Section 204(h) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(h)) is amended by adding at the end the following new paragraphs:

''(3)(A) If paragraph (1) applies to the adoption of a plan amendment by a large defined benefit plan, the plan administrator shall, after adoption of such amendment and not less than 45 days before its effective date, provide with the notice under paragraph (1) a written statement of benefit change described in subparagraph (B) to each applicable individual.

''(B) A statement of benefit change described in this subparagraph shall—

''(i) be written in a manner calculated to be understood by the average plan participant, and

''(ii) include the information described in subparagraph (C).

''(C) The information described in this subparagraph includes the following:

''(i) A comparison of the following amounts under the plan with respect to an applicable individual, determined both with and without regard to the plan amendment:

''(I) The accrued benefit and the present value of the accrued benefit as of the effective date.

''(II) The projected accrued benefit and the projected present value of the accrued benefit as of the date which is 3 years, 5 years, and 10 years from the effective date and as of the normal retirement age.

''(ii) A table of all annuity factors used to calculate benefits under the plan, presented in the form provided in section 72 of the Internal Revenue Code of 1986 and the regulations thereunder.

Benefits described in clause (i) shall be stated separately and shall be calculated by using the applicable mortality table and the applicable interest rate under section 417(e)(3)(A) of such Code.

''(D) For purposes of this paragraph—

''(i) The term 'large defined benefit plan' means any defined benefit plan which had 100 or more participants who had accrued a benefit under the plan (whether or not vested) as of the last day of the plan year preceding the plan year in which the plan amendment becomes effective.

''(ii) The term 'applicable individual' means an individual described in subparagraph (A) or (B) of paragraph (1).

''(E) For purposes of this paragraph—

''(i) The present value of an accrued benefit of any applicable individual shall be calculated as if the accrued benefit were in the form of a single life annuity commencing at the participant's normal retirement age (and by taking into account any early retirement subsidy).

''(ii)(I) The projected accrued benefit of any applicable individual shall be calculated as if the benefit were payable in the form of a single life annuity commencing at the participant's normal retirement age (and by taking into account any early retirement subsidy).

''(II) Such benefit shall be calculated by assuming that compensation and all other benefit factors would increase for each plan year beginning after the effective date of the plan amendment at a rate equal to the median average of the CPI increase percentage (as defined in section 215(i) of the Social Security Act) for the 5 calendar years immediately preceding the calendar year before the calendar year in which such effective date occurs.

''(III) For purposes of subclause (II), the term 'benefit factors' means social security benefits and all other relevant factors under section 204(b)(1)(A) used to compute benefits under the plan which had increased from the 2d plan year preceding the plan year in which the effective date of the plan amendment occurs to the 1st such preceding plan year.

''(iii) The term 'normal retirement age' means the later of—

''(I) the date determined under section 3(24), or

''(II) the date a plan participant attains age 62.

''(4) A plan administrator shall not be treated as failing to meet the requirements of this subsection merely because the notice or statement is provided before the adoption of the plan amendment if no material modification of the amendment occurs before the amendment is adopted.''.

(B) CONFORMING AMENDMENT.—Section 204(h)(1) of such Act (29 U.S.C. 1054(h)(1)) is amended by inserting ''(including any written statement of benefit change if required by paragraph (3))'' after ''written notice''.

(3) EFFECTIVE DATES.—

(A) IN GENERAL.—The amendments made by this subsection shall apply to plan amendments taking effect in plan years beginning after December 31, 1998.

(B) SPECIAL RULE.—The period for providing any notice required by the amendments made by this subsection shall not end before the date which is 3 months after the date of the enactment of this Act.

(b) AGE-BASED REDUCTIONS IN THE RATE AT WHICH BENEFITS ACCRUE UNDER A CASH BALANCE PLAN VIOLATE AGE DISCRIMINATION RULE.—

(1) DIRECTIVE.—The Secretary of the Treasury shall apply section 411(b)(1)(H) of the Internal Revenue Code of 1986 without regard to the portion of the preamble to Treasury Decision 8360 (56 Fed. Reg. 47524–47603, September 19, 1991) which relates to the allocation of interest adjustments through normal retirement age under a cash balance plan, as such preamble is and has been since its adoption without the force of law.

(2) SAFE HARBOR IF NOTICE AND ELECTION TO CONTINUE BENEFIT ACCRUALS UNDER FORMER DEFINED BENEFIT PLAN INSTEAD OF UNDER CASH BALANCE PLAN.—

(A) AMENDMENT TO INTERNAL REVENUE CODE.—Paragraph (1) of section 411(b) of the Internal Revenue Code of 1986 (relating to defined benefit plans) is amended by adding at the end the following new subparagraph:

''(I) ELECTION TO CONTINUE BENEFIT ACCRUALS UNDER FORMER DEFINED BENEFIT PLAN INSTEAD OF UNDER CASH BALANCE PLAN.—

''(i) IN GENERAL.—A large defined benefit plan that adopts an amendment which results in such plan becoming a cash balance plan shall be treated as not meeting the requirements of this paragraph unless such plan provides each participant with—

''(I) notice and a written statement of benefit change which meets the requirements of section 401(a)(35), and

''(II) an election to continue to accrue benefits under such plan, determined under the terms of such plan as in effect immediately before the effective date of such plan amendment.

''(ii) PROTECTED ACCRUED BENEFIT.—For purposes of clause (i), an accrued benefit shall include any early retirement benefit or retirement-type subsidy (within the meaning of subsection (d)(6)(B)(i)), but only with respect to a participant who satisfies (either before or after the effective date of the amendment) the conditions for the benefit or subsidy under the terms of the plan as in effect immediately before such date.

''(iii) TIMING OF ELECTION.—Except as provided in regulations, the election required by clause (i)(II) shall be provided within a reasonable time before the effective date of the amendment resulting in the plan becoming a cash balance plan.

''(iv) CASH BALANCE PLAN.—For purposes of this paragraph, the term 'cash balance plan' means a defined benefit plan under which the rate of benefit accrual of any 1 participant for a year of service is reduced as the years of service of such participant increase.''.

(B) AMENDMENT TO ERISA.—Section 204(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)) is amended by adding at the end the following new paragraph:

''(4)(A) For purposes of paragraph (1), in the case of a plan amendment adopted by a large defined benefit plan (as defined in subsection (h)(3)) which results in such plan becoming a cash balance plan, such defined benefit plan shall be treated as not satisfying the requirements of this section unless such plan provides each participant with—

''(i) notice and a written statement of benefit change which meets the requirements of subsection (h)(3), and

''(ii) an election to continue to accrue benefits under such plan, determined under the terms of such plan as in effect immediately before the effective date of such plan amendment.

''(B) For purposes of subparagraph (A), an accrued benefit shall include any early retirement benefit or retirement-type subsidy (within the meaning of paragraph (2)(A)), but only with respect to a participant who satisfies (either before or after the effective date of the amendment) the conditions for the benefit or subsidy under the terms of the plan as in effect immediately before such date.

''(C) Except as provided in regulations, the election required by subparagraph (A)(ii) shall be provided within a reasonable time before the effective date of the amendment resulting in the plan becoming a cash balance plan.

''(D) For purposes of this paragraph, the term 'cash balance plan' means a defined benefit plan under which the rate of benefit accrual of any 1 participant for a year of service is reduced as the years of service of such participant increase.''.

(3) EXCISE TAX ON FAILURE TO OFFER ELECTION.—

(A) IN GENERAL.—Chapter 43 of subtitle D of the Internal Revenue Code of 1986 (relating to qualified pension, etc., plans) is amended by adding at the end the following new section:

''SEC. 4980F. FAILURE TO OFFER ELECTION TO CONTINUE BENEFIT ACCRUALS UNDER FORMER DEFINED BENEFIT PLAN IN EVENT OF SIGNIFICANT REDUCTIONS IN FUTURE BENEFIT ACCRUALS.

''(a) IMPOSITION OF TAX.—There is hereby imposed a tax on the failure of any applicable pension plan to meet the requirements of subsection (d).

''(b) AMOUNT OF TAX.—

''(1) IN GENERAL.—The amount of the tax imposed by subsection (a) shall be 50 percent of the amount of the excess pension assets in such plan, determined as of the effective date of the amendment which has the effect of significantly reducing the rate of future benefit accrual of 1 or more participants.

''(2) EXCESS PENSION ASSETS.—For purposes of paragraph (1), the term 'excess pension assets' has the meaning given to such term by section 420(e)(2).

''(c) LIABILITY FOR TAX.—The following shall be liable for the tax imposed by subsection (a):

''(1) In the case of a plan other than a multiemployer plan, the employer.

''(2) In the case of a multiemployer plan, the plan.

For purposes of the preceding sentence, all multiemployer plans of which the same trust forms a part shall be treated as 1 plan. For purposes of this paragraph, if not all persons who are treated as a single employer for purposes of this section have the same taxable year, the taxable years taken into account shall be determined under principles similar to the principles of section 1561.

''(d) ELECTION TO CONTINUE BENEFIT ACCRUALS UNDER FORMER DEFINED BENEFIT PLAN IN EVENT OF SIGNIFICANT REDUCTIONS IN FUTURE BENEFIT ACCRUALS.—In the case that an applicable pension plan adopts an amendment which has the effect of significantly reducing the rate of future benefit accrual of 1 or more participants, the requirements of this subsection are met if the plan administrator provides each participant who has a nonforfeitable right to 100 percent of his accrued benefits with—

''(1) notice and a written statement of benefit change which meets the requirements of section 401(a)(35), and

''(2) an election to continue to accrue benefits under such plan, determined under the terms of such plan as in effect immediately before the effective date of such plan amendment.

''(e) TIMING OF ELECTION.—Except as provided in regulations, the election required by subsection (d) shall be provided within a reasonable time before the effective date of such amendment.

''(f) PROTECTED ACCRUED BENEFIT.—For purposes of this section, an accrued benefit shall include any early retirement benefit or retirement-type subsidy (within the meaning of section 411(d)(6)(B)(i)), but only with respect to a participant who satisfies (either before or after the effective date of the amendment) the conditions for the benefit or subsidy under the terms of the plan as in effect immediately before such date.

''(g) APPLICABLE PENSION PLAN.—For purposes of this section, the term 'applicable pension plan' means a defined benefit plan that is subject to the notice requirements of section 401(a)(35).''.

(B) CLERICAL AMENDMENT.—The table of sections for chapter 43 of subtitle D of such Code is amended by adding at the end the following new item:

''Sec. 4980F. Failure to offer election to continue benefit accruals under former defined benefit plan in event of significant reductions in future benefit accruals.''.

(4) EFFECTIVE DATES.—

(A) IN GENERAL.—The amendments made by this subsection shall apply to plans and plan amendments taking effect after December 31, 1998.

(B) SPECIAL RULE.—The period for providing any notice required by the amendments made by this subsection shall not end before the date which is 3 months after the date of the enactment of this Act.

(c) PREVENTION OF WEARING AWAY OF EMPLOYEE'S ACCRUED BENEFIT.—

(1) AMENDMENT TO INTERNAL REVENUE CODE.—Section 411(d)(6) of the Internal Revenue Code of 1986 (relating to accrued benefit may not be decreased by amendment) is amended by adding at the end the following new subparagraph:

''(D) TREATMENT OF PLAN AMENDMENTS WEARING AWAY ACCRUED BENEFIT.—

''(i) IN GENERAL.—For purposes of subparagraph (A), a plan amendment adopted by a large defined benefit plan shall be treated as reducing accrued benefits of a participant if, under the terms of the plan after the adoption of the amendment, the accrued benefit of the participant may at any time be less than the sum of—

''(I) the participant's accrued benefit for years of service before the effective date of the amendment, determined under the terms of the plan as in effect immediately before the effective date, plus

''(II) the participant's accrued benefit determined under the formula applicable to benefit accruals under the current plan as applied to years of service after such effective date.

''(ii) LARGE DEFINED BENEFIT PLAN.—For purposes of this subparagraph, the term 'large defined benefit plan' means any defined benefit plan which had 100 or more participants who had accrued a benefit under the plan (whether or not vested) as of the last day of the plan year preceding the plan year in which the plan amendment becomes effective.

''(iii) PROTECTED ACCRUED BENEFIT.—For purposes of this subparagraph, an accrued benefit shall include any early retirement benefit or retirement-type subsidy (within the meaning of subparagraph (B)(i)), but only with respect to a participant who satisfies (either before or after the effective date of the amendment) the conditions for the benefit or subsidy under the terms of the plan as in effect immediately before such date.''.

(2) AMENDMENT OF ERISA.—Section 204(g) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1054(g)) is amended by adding at the end the following new paragraph:

''(5)(A) For purposes of paragraph (1), a plan amendment adopted by a large defined benefit plan shall be treated as reducing accrued benefits of a participant if, under the terms of the plan after the adoption of the amendment, the accrued benefit of the participant may at any time be less than the sum of—

''(i) the participant's accrued benefit for years of service before the effective date of the amendment, determined under the terms of the plan as in effect immediately before the effective date, plus

''(ii) the participant's accrued benefit determined under the formula applicable to benefit accruals under the current plan as applied to years of service after such effective date.

''(B) For purposes of this paragraph, the term 'large defined benefit plan' means any defined benefit plan which had 100 or more participants who had accrued a benefit under the plan (whether or not vested) as of the last day of the plan year preceding the plan year in which the plan amendment becomes effective.

''(C) For purposes of this paragraph, an accrued benefit shall include any early retirement benefit or retirement-type subsidy (within the meaning of paragraph (2)(A)), but only with respect to a participant who satisfies (either before or after the effective date of the amendment) the conditions for the benefit or subsidy under the terms of the plan as in effect immediately before such date.''.

(3) EFFECTIVE DATE.—The amendments made by this su,bsection shall apply to plan amendments taking effect after December 31, 1998.

Mr. THOMAS (during the reading). Mr. Speaker, I ask unanimous consent that the motion to recommit be considered as read and printed in the RECORD.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from California?

There was no objection.

The SPEAKER pro tempore. Pursuant to the rule, the gentleman from Vermont (Mr. SANDERS) is recognized for 5 minutes in support of his motion to recommit.

Mr. SANDERS. Mr. Speaker, this issue affects the lives and well-being of millions of American workers, and I hope the Members would pay attention to this debate.

This motion to recommit is cosponsored by the gentleman from New York (Mr. HINCHEY), the gentleman from Ohio (Mr. KUCINICH), and the gentleman from Minnesota (Mr. GUTKNECHT), so it has a tripartisan element.

Mr. Speaker, in the last several years, major corporation after major corporation has cut back the pension benefits that they promised their workers. IBM, for example, which has a huge pension surplus, which pays its CEO $175 million over a 2-year period, said to its workers last year, yes, we made a promise to you, but we are going to renege on that promise and, in some cases, cut back the benefits that you expected by 30 or 40 or 50 percent.

That is wrong, and we have to deal with it. Unfortunately, the underlying legislation here does not in any meaningful way deal with this issue. The proponents of the bill say, we do deal with it, we do deal with it. But what we are really talking about is that we deal with it through disclosure.

I guess it is a good thing to know in advance if you are going to get the death penalty. It helps. But more importantly, it would help if this legislation did, as my amendment does, give workers a choice. If a company is going to convert from defined benefits to cash balance, workers should have a choice, should not be forced to accept major cutbacks in pensions that were promised to them.

If Members are concerned about what happened at IBM, what happened at other major corporations in America, let us stand up for those workers and say, we support your right to have a choice.

Support the motion to recommit.

Mr. Speaker, I yield to the gentleman from Minnesota (Mr. GUTKNECHT).

Mr. GUTKNECHT. Mr. Speaker, I know that we all have a lot of other issues going on and a lot of people are not paying attention, but this is a very important point, because last year, about a year and a half ago, an awful lot of employees that worked for a great company that has been a great employer by the name of IBM, they woke up one morning and all of a sudden their pension benefits were cut by as much as 50 percent. The gentleman from Vermont (Mr. SANDERS) is exactly right.

This is a good bill. The underlying bill, the benefits, everything we do here is good, with one glaring exception: we do not define what the term ''vested'' means. I want Members to all think about that, what does ''vested'' mean? It means it is ours, it cannot be taken away. That is not what the law in the United States says today. Those pension benefits can be taken away.

We have an opportunity in this bill to resolve that issue. If we do not do it today, then shame on us. What happened to the IBMers we may not be able to change, but remember this, Mr. Speaker, if it could happen to good people working at IBM a year ago, it can happen to an awful lot of people working in our districts tomorrow.

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The time is now to make this change. Give those people that choice. Let us vote for the motion to recommit.

Mr. SANDERS. Mr. Speaker, I yield to the gentleman from New York State (Mr. HINCHEY), who has been active on this issue.

Mr. HINCHEY. Mr. Speaker, I thank my friend, the gentleman from Vermont, for yielding to me.

Colleagues, this is a very important issue. It is important because it affects our constituents; it affects their retirement and their security and that of their families. Across this country some companies have changed their pension program from a defined benefit plan to a cash balance plan, thereby robbing their pension systems of enormous amounts of money, billions of dollars, and reducing the pensions programs of virtually every employee. It particularly adversely affects those employees who are getting near retirement age. My colleagues' constituents are affected by this.

We are not going to deal with this issue outside of this bill. We are not going to return to the issue of pensions anytime during this Congress. If we do not do it now, it is not going to get done; and the problem that exists will continue to exist and people will continue to get hurt.

Please join us in this simple motion to recommit. Let us just correct this one single deficiency in this bill, improve it, and make it affect our constituents in a positive way. Vote for the motion to recommit.

Mr. SANDERS. Mr. Speaker, let me conclude by saying that the proponents of this bill will tell us that they have dealt with this issue. They have not dealt with this issue. Disclosure is fine, but disclosure will not help millions of workers who have already seen their pensions cut and many more who will see their pensions cut. Please vote ''yes'' on recommit.

The SPEAKER pro tempore (Mr. QUINN). The gentleman's time has expired. Is the gentleman from California (Mr. THOMAS) opposed to the motion to recommit?

Mr. THOMAS. I am, Mr. Speaker.

The SPEAKER pro tempore. The gentleman from California is recognized for 5 minutes.

Mr. THOMAS. Mr. Speaker, the authors of the underlying bill said that they addressed the issue, not that they had dealt with it. This motion to recommit is 22 pages of very specific directed information that I will address in a moment.

We have had an excellent discussion about needful changes in the area of pensions and IRAs. I would hope it is enough for my colleagues to know that the gentleman from Ohio (Mr. PORTMAN) and the gentleman from Maryland (Mr. CARDIN) are in opposition to this motion to recommit. This is not the way to deal with pension legislation.

Twenty-two specific pages. For example, in the materials explaining the bill it says, ''The fact that cash balance plan conversions violate current pension age discrimination laws is clear.'' If it is clear, why on page 12, beginning on line 6, does it say, ''Directive. The Secretary of the Treasury shall apply section 411 without regard to the portion of the preamble. Such preamble is and has been since its adoption without the force of law.'' If it is clear, why do my colleagues direct the Treasury to a particular conclusion about that section?

It also involves the ERISA area, which is the jurisdiction of the committee of the gentleman from Ohio.

Mr. Speaker, I yield to the gentleman from Ohio (Mr. BOEHNER).

Mr. BOEHNER. Mr. Speaker, the motion to recommit deals with the issue of cash balance pension plans, which are a form of defined benefit pension plans that most of my colleagues on the Democrat side want. We have had this huge decline in defined benefit plans and a move toward defined contribution plans. And as a way to save defined benefit plans, they came up with this idea of a cash balance conversion.

These are very, very good for younger workers. And I might also add that over 500 of these conversions have taken place. In almost every instance, the employer has in fact made all employees whole in the process. There were some mistakes early on, but they have been corrected. The gentleman from New Jersey (Mr. ANDREWS) and I, during the last administration, worked with the Secretary of Labor, worked with the White House, and came to an agreement on this disclosure model contained in this bill.

We should be very careful about the specific language in this motion to recommit that allows for choice, so that in the case of a cash balance conversion an employee could choose one or the other. This would require an employer to offer two separate plans. And they will do this: they will have no plan, or there will be no conversion and then no defined benefit plan.

It is a very bad and dangerous idea, and we should reject this.

Mr. THOMAS. Mr. Speaker, it is my pleasure to yield 30 seconds to the gentleman from North Dakota (Mr. POMEROY) in opposition to the motion to recommit.

Mr. POMEROY. Mr. Speaker, I thank the gentleman for yielding to me.

Colleagues, the bill contains language on disclosure for cash balance conversions advanced by the White House in consultation with Congress last year. The motion should be defeated, because although it talks about mandating choice between defined benefit and cash balance, it says nothing about changing the pension plan all together for a defined contribution plan or, worse, scrapping it all together. Those are much more serious options than moving from traditional defined balance to cash balance.

Therefore, although well intended, this motion does not work. It should be defeated.

Mr. THOMAS. Mr. Speaker, I thank the gentleman.

It is also true that members of the Committee on Ways and Means are very concerned about this, including the gentleman from Massachusetts (Mr. NEAL), who indicated that it is not the appropriate way to deal with this issue, through a motion to recommit; but that we would be pleased to look at it in committee.

As we continue through the 22 pages of this bill in terms of the specific directives, my colleagues might also be interested to know that if they vote in favor of the motion to recommit, on page 16 they would be in favor of the imposition of a tax. The tax is an excise tax. The amount of the tax imposed, and I am quoting, by subsection A, shall be 50 percent of the amount of the excess pension assets in such plan.

Now, we are more than willing to talk about reasonable adjustments where we find fault, but that is a bit Draconian. And I would only ask my colleagues to look on page 22 of this motion to recommit and look at the effective date: ''The amendments made by this subsection shall apply to plan amendments taking effect after December 31, 1998.''

I would ask my colleagues, as this bill was constructed in a bipartisan way, let us reject this motion to recommit in a bipartisan way.

Mr. Speaker, I yield back the balance of my time.

The SPEAKER pro tempore. Without objection, the previous question is ordered on the motion to recommit.

There was no objection.

The SPEAKER pro tempore. The question is on the motion to recommit.

The question was taken; and the Speaker pro tempore announced that the noes appeared to have it.

Mr. SANDERS. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. Pursuant to clause 9 of rule XX, the Chair will reduce to 5 minutes the minimum time for any electronic vote on the question of final passage.

The vote was taken by electronic device, and there were—yeas 153, nays 276, not voting 2, as follows:

[Roll No. 95]

YEAS—153

Abercrombie
Ackerman
Allen
Baca
Baldacci
Baldwin
Barcia
Barrett
Becerra
Bentsen
Berkley
Berman
Blagojevich
Blumenauer
Bonior
Boucher
Brown (FL)
Brown (OH)
Capps
Capuano
Carson (IN)
Carson (OK)
Clay
Clayton
Clyburn
Conyers
Costello
Coyne
Cummings
Davis (IL)
DeFazio
DeGette
Delahunt
DeLauro
Deutsch
Dicks
Dingell
Doggett
Doyle
Edwards
Engel
Eshoo
Evans
Farr
Fattah
Filner
Frank
Frost
Gephardt
Green (TX)
Gutierrez
Gutknecht
Hall (OH)
Hastings (FL)
Hilliard
Hinchey
Holden
Holt
Honda
Hooley
Inslee
Jackson (IL)
Jackson-Lee (TX)
Jefferson
Johnson, E. B.
Jones (OH)
Kanjorski
Kaptur
Kennedy (RI)
Kildee
Kilpatrick
Kind (WI)
Kleczka
Kucinich
LaFalce
Langevin
Lantos
Larsen (WA)
Lee
Levin
Lewis (GA)
Lofgren
Lowey
Luther
Maloney (CT)
Maloney (NY)
Markey
Mascara
Matsui
McCollum
McDermott
McGovern
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Millender-McDonald
Miller, George
Mink
Mollohan
Murtha
Nadler
Napolitano
Oberstar
Obey
Olver
Ortiz
Owens
Pallone
Pascrell
Pastor
Payne
Pelosi
Peterson (MN)
Phelps
Rahall
Rangel
Reyes
Rivers
Rodriguez
Rothman
Roybal-Allard
Rush
Sabo
Sanders
Sawyer
Schakowsky
Scott
Serrano
Skelton
Slaughter
Solis
Spratt
Stark
Strickland
Stupak
Thompson (CA)
Thompson (MS)
Thurman
Tierney
Towns
Udall (CO)
Udall (NM)
Velazquez
Visclosky
Waters
Watt (NC)
Waxman
Weiner
Wexler
Woolsey

NAYS—276

Aderholt
Akin
Andrews
Armey
Bachus
Baird
Baker
Ballenger
Barr
Bartlett
Barton
Bass
Bereuter
Berry
Biggert
Bilirakis
Bishop
Blunt
Boehlert
Boehner
Bonilla
Bono
Borski
Boswell
Boyd
Brady (PA)
Brady (TX)
Brown (SC)
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Camp
Cannon
Cantor
Capito
Cardin
Castle
Chabot
Chambliss
Clement
Coble
Collins
Combest
Condit
Cooksey
Cox
Cramer
Crane
Crenshaw
Crowley
Cubin
Culberson
Cunningham
Davis (CA)
Davis (FL)
Davis, Jo Ann
Davis, Tom
Deal
DeLay
DeMint
Diaz-Balart
Dooley
Doolittle
Dreier
Duncan
Dunn
Ehlers
Ehrlich
Emerson
English
Etheridge
Everett
Ferguson
Flake
Fletcher
Foley
Ford
Fossella
Frelinghuysen
Gallegly
Ganske
Gekas
Gibbons
Gilchrest
Gillmor
Gilman
Gonzalez
Goode
Goodlatte
Gordon
Goss
Graham
Granger
Graves
Green (WI)
Greenwood
Grucci
Hall (TX)
Hansen
Harman
Hart
Hastings (WA)
Hayes
Hayworth
Hefley
Herger
Hill
Hilleary
Hinojosa
Hobson
Hoeffel
Hoekstra
Horn
Hostettler
Houghton
Hoyer
Hulshof
Hunter
Hutchinson
Hyde
Isakson
Israel
Issa
Istook
Jenkins
John
Johnson (CT)
Johnson (IL)
Johnson, Sam
Jones (NC)
Keller
Kelly
Kennedy (MN)
Kerns
King (NY)
Kingston
Kirk
Knollenberg
Kolbe
LaHood
Lampson
Largent
Larson (CT)
Latham
LaTourette
Leach
Lewis (CA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lucas (KY)
Lucas (OK)
Manzullo
Matheson
McCarthy (MO)
McCarthy (NY)
McCrery
McHugh
McInnis
McIntyre
McKeon
Mica
Miller (FL)
Miller, Gary
Moore
Moran (KS)
Moran (VA)
Morella
Myrick
Neal
Nethercutt
Ney
Northup
Norwood
Nussle
Osborne
Ose
Otter
Oxley
Paul
Pence
Peterson (PA)
Petri
Pickering
Pitts
Platts
Pombo
Pomeroy
Portman
Price (NC)
Pryce (OH)
Putnam
Quinn
Radanovich
Ramstad
Regula
Rehberg
Reynolds
Riley
Roemer
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Ross
Roukema
Ryan (WI)
Ryun (KS)
Sanchez
Sandlin
Saxton
Scarborough
Schaffer
Schiff
Schrock
Sensenbrenner
Sessions
Shadegg
Shaw
Shays
Sherman
Sherwood
Shimkus
Shows
Simmons
Simpson
Skeen
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Snyder
Souder
Spence
Stearns
Stenholm
Stump
Sununu
Sweeney
Tancredo
Tanner
Tauscher
Tauzin
Taylor (MS)
Taylor (NC)
Terry
Thomas
Thornberry
Thune
Tiahrt
Tiberi
Toomey
Traficant
Turner
Upton
Vitter
Walden
Walsh
Wamp
Watkins
Watts (OK)
Weldon (FL)
Weldon (PA)
Weller
Whitfield
Wicker
Wilson
Wolf
Wu
Wynn
Young (AK)
Young (FL)

NOT VOTING—2

Moakley
Royce

□ 1546

Mr. GILMAN changed his vote from ''yea'' to ''nay.''

So the motion to recommit was rejected.

The result of the vote was announced as above recorded.

The SPEAKER pro tempore (Mr. QUINN). The question is on the passage of the bill.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. THOMAS. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The SPEAKER pro tempore. This will be a 5-minute vote.

The vote was taken by electronic device, and there were—yeas 407, nays 24, not voting 1, as follows:

[Roll No. 96]

YEAS—407

Abercrombie
Ackerman
Aderholt
Akin
Allen
Andrews
Armey
Baca
Bachus
Baird
Baker
Baldacci
Baldwin
Ballenger
Barcia
Barr
Barrett
Bartlett
Barton
Bass
Becerra
Bentsen
Bereuter
Berkley
Berman
Berry
Biggert
Bilirakis
Bishop
Blagojevich
Blumenauer
Blunt
Boehlert
Boehner
Bonilla
Bonior
Bono
Borski
Boswell
Boucher
Boyd
Brady (PA)
Brady (TX)
Brown (FL)
Brown (OH)
Brown (SC)
Bryant
Burr
Burton
Buyer
Callahan
Calvert
Camp
Cannon
Cantor
Capito
Capps
Capuano
Cardin
Carson (IN)
Carson (OK)
Castle
Chabot
Chambliss
Clay
Clayton
Clement
Clyburn
Coble
Collins
Combest
Condit
Cooksey
Costello
Cox
Coyne
Cramer
Crane
Crenshaw
Crowley
Cubin
Culberson
Cummings
Cunningham
Davis (CA)
Davis (FL)
Davis (IL)
Davis, Jo Ann
Davis, Tom
Deal
DeFazio
DeGette
Delahunt
DeLauro
DeLay
DeMint
Deutsch
Diaz-Balart
Dicks
Dingell
Doggett
Dooley
Doolittle
Doyle
Dreier
Duncan
Dunn
Edwards
Ehlers
Ehrlich
Emerson
Engel
English
Eshoo
Etheridge
Evans
Everett
Farr
Fattah
Ferguson
Flake
Fletcher
Foley
Ford
Fossella
Frelinghuysen
Frost
Gallegly
Ganske
Gekas
Gephardt
Gibbons
Gilchrest
Gillmor
Gilman
Gonzalez
Goode
Goodlatte
Gordon
Goss
Graham
Granger
Graves
Green (TX)
Green (WI)
Greenwood
Grucci
Gutierrez
Hall (OH)
Hall (TX)
Hansen
Harman
Hart
Hastert
Hastings (FL)
Hastings (WA)
Hayes
Hayworth
Hefley
Herger
Hill
Hilleary
Hilliard
Hinojosa
Hobson
Hoeffel
Hoekstra
Holden
Holt
Honda
Hooley
Horn
Hostettler
Houghton
Hoyer
Hulshof
Hunter
Hutchinson
Hyde
Inslee
Isakson
Israel
Issa
Istook
Jackson-Lee (TX)
Jefferson
Jenkins
John
Johnson (CT)
Johnson (IL)
Johnson, E. B.
Johnson, Sam
Jones (NC)
Jones (OH)
Kanjorski
Kaptur
Keller
Kelly
Kennedy (MN)
Kennedy (RI)
Kerns
Kildee
Kilpatrick
Kind (WI)
King (NY)
Kingston
Kirk
Kleczka
Knollenberg
Kolbe
LaHood
Lampson
Langevin
Lantos
Largent
Larsen (WA)
Larson (CT)
Latham
LaTourette
Leach
Levin
Lewis (CA)
Lewis (GA)
Lewis (KY)
Linder
Lipinski
LoBiondo
Lofgren
Lowey
Lucas (KY)
Lucas (OK)
Luther
Maloney (CT)
Maloney (NY)
Manzullo
Markey
Mascara
Matheson
McCarthy (MO)
McCarthy (NY)
McCollum
McCrery
McGovern
McHugh
McInnis
McIntyre
McKeon
McKinney
McNulty
Meehan
Meek (FL)
Meeks (NY)
Menendez
Mica
Millender-McDonald
Miller (FL)
Miller, Gary
Miller, George
Mink
Mollohan
Moore
Moran (KS)
Moran (VA)
Morella
Murtha
Myrick
Nadler
Napolitano
Nethercutt
Ney
Northup
Norwood
Nussle
Ortiz
Osborne
Ose
Otter
Oxley
Pallone
Pascrell
Pastor
Paul
Pelosi
Pence
Peterson (MN)
Peterson (PA)
Petri
Phelps
Pickering
Pitts
Platts
Pombo
Pomeroy
Portman
Price (NC)
Pryce (OH)
Putnam
Quinn
Radanovich
Rahall
Ramstad
Regula
Rehberg
Reyes
Reynolds
Riley
Rivers
Rodriguez
Roemer
Rogers (KY)
Rogers (MI)
Rohrabacher
Ros-Lehtinen
Ross
Rothman
Roukema
Royce
Ryan (WI)
Ryun (KS)
Sanchez
Sandlin
Sawyer
Saxton
Scarborough
Schaffer
Schakowsky
Schiff
Schrock
Scott
Sensenbrenner
Serrano
Sessions
Shadegg
Shaw
Shays
Sherman
Sherwood
Shimkus
Shows
Simmons
Simpson
Skeen
Skelton
Slaughter
Smith (MI)
Smith (NJ)
Smith (TX)
Smith (WA)
Snyder
Solis
Souder
Spence
Spratt
Stearns
Stenholm
Strickland
Stump
Stupak
Sununu
Sweeney
Tancredo
Tanner
Tauscher
Tauzin
Taylor (MS)
Taylor (NC)
Terry
Thomas
Thompson (CA)
Thompson (MS)
Thornberry
Thune
Thurman
Tiahrt
Tiberi
Tierney
Toomey
Towns
Traficant
Turner
Udall (CO)
Udall (NM)
Upton
Velazquez
Visclosky
Vitter
Walden
Walsh
Wamp
Watkins
Watt (NC)
Watts (OK)
Waxman
Weiner
Weldon (FL)
Weldon (PA)
Weller
Wexler
Whitfield
Wicker
Wilson
Wolf
Woolsey
Wu
Wynn
Young (AK)
Young (FL)

NAYS—24

Conyers
Filner
Frank
Gutknecht
Hinchey
Jackson (IL)
Kucinich
LaFalce
Lee
Matsui
McDermott
Neal
Oberstar
Obey
Olver
Owens
Payne
Rangel
Roybal-Allard
Rush
Sabo
Sanders
Stark
Waters

NOT VOTING—1

Moakley

□ 1602

Mrs. MEEK of Florida changed her vote from ''yea'' to ''nay.''

So the bill was passed.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. THOMAS. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on H.R. 10, the bill just passed.

The SPEAKER pro tempore (Mr. QUINN). Is there objection to the request of the gentleman from California?

There was no objection.

MESSAGE FROM THE PRESIDENT

A message in writing from the President of the United States was communicated to the House by Ms. Wanda Evans, one of his secretaries.

ELECTION OF MEMBERS TO CERTAIN STANDING COMMITTEES OF THE HOUSE

Mr. FROST. Mr. Speaker, by direction of the Democratic Caucus, I offer a privileged resolution (H.R. 129) and ask for its immediate consideration.

The Clerk read the resolution, as follows:

HOUSE RESOLUTION 129

Resolved, That the following named Members be, and are hereby, elected to the following standing committees of the House of Representatives:

Committee on Resources: Mr. Miller of California to rank immediately after Mr. Rahall of West Virginia;

Committee on Science: Mr. Honda of California.

The resolution was agreed to.

A motion to reconsider was laid on the table.

REMOVAL OF NAME OF MEMBER AS COSPONSOR OF H.R. 39

Mr. REYES. Mr. Speaker, I ask unanimous consent that my name be removed as a cosponsor of H.R. 39.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Texas?

There was no objection.

FISCAL YEAR 2002 BUDGET SUBMISSION ON DISTRICT OF COLUMBIA COURTS—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES (H. DOC. NO. 107-63)

The SPEAKER pro tempore laid before the House the following message from the President of the United States; which was read and, together with the accompanying papers, without objection, referred to the Committee on Appropriations and ordered to be printed:

To the Congress of the United States:

In accordance with the District of Columbia Code, as amended, I am transmitting the District of Columbia Courts FY 2002 Budget Submission.

The District of Columbia Courts have submitted a FY 2002 budget request for $111.7 million for operating expenses, $41.4 million for capital improvements to courthouse facilities, and $39.7 million for Defender Services in the District of Columbia Courts. My FY 2002 budget includes recommended funding levels of $105.2 million for operations, $6.0 million for capital improvements, and $34.3 million for Defender Services. My transmittal of the District of Columbia Courts' budget request does not represent an endorsement of its contents.

I look forward to working with the Congress throughout the FY 2002 appropriations process.

GEORGE W. BUSH.

THE WHITE HOUSE, *May 2, 2001.*

REMOVAL OF NAME OF MEMBER AS COSPONSOR OF H.R. 39

Mr. LATOURETTE. Mr. Speaker, I ask unanimous consent that my name be removed as a cosponsor of H.R. 39.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Ohio?

There was no objection.

SPECIAL ORDERS

The SPEAKER pro tempore (Mr. GRAVES). Under the Speaker's announced policy of January 3, 2001, and under a previous order of the House, the following Members will be recognized for 5 minutes each.

TRIBUTE TO LIEUTENANT GENERAL DANIEL WILLIAM CHRISTMAN

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from New York (Mrs. KELLY) is recognized for 5 minutes.

GENERAL LEAVE

Mrs. KELLY. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks and include extraneous material on the subject of my Special Order.

The SPEAKER pro tempore. Is there objection to the request of the gentlewoman from New York?

There was no objection.

Mrs. KELLY. Mr. Speaker, I rise today to recognize the outstanding service of Lieutenant General Daniel William Christman. General Christman will retire on June 30, 2001, after an outstanding career of more than 36 years of service in peace and in war to the Army and to our Nation.

General Christman is currently serving out his final 2 months as superintendent of the United States Military Academy. In this capacity, General Christman charted the course for officer education into the new century. Under his guidance, the academy crafted a new mission statement, strategic vision, and new public-funding structure needed to enable the institution to compete and excel in an era of transformation.

His assessment of current needs and insight of future possibilities has resulted in a revised academic curriculum and increased focus on the profession of officership. General Christman leaves a notably improved academy in terms of leadership facilities and morale.

Prior to undertaking this role, General Christman has distinguished himself in numerous command and staff positions with U.S. forces stationed both overseas and in the continental United States.

In Europe, his assignments included serving as the 19th U.S. representative to NATO Military Committee, Brussels, Belgium, and Commander of the 54th Engineer Battalion in Wildflecken, Germany.

In 1969, he commanded a company of the 101st Airborne Division in combat in Southeast Asia. General Christman occupied senior executive positions in Washington, D.C., requiring creative leadership and strategic vision. He served as a staff assistant with National Security Council in the Ford White House. Prior to his West Point assignment, he served as an assistant to the chairman of the Joint Chiefs of Staff, advising the Secretary of State on a broad range of military and national security issues such as arms control with the Russian Federation and the Middle East peace negotiations between Israel and Syria.

In June 1996, General Christman became the 55th superintendent of the U.S. Military Academy. Through his tenure, he demonstrated an exceptional combination of intelligence, character, and positive personality notable even in this highly selective environment. From the outset, he sought the comments and insight of graduates, the academy, and even the neighboring community to give them a closer identification with and support for the institution and decisions that were ultimately made.

Development of a more cooperative and positive environment has been the hallmark of his superintendency.

General Christman arrived at West Point at a time of significant financial constraints. Severe cutbacks to the Army budget had seriously affected both programs and infrastructure at the academy. He undertook strenuous efforts to obtain the critical funding support for an institution that was behind not only other colleges but also many Army posts. Through his efforts and the support of the Army staff, he gained pledges for the funding necessary to restore the institution to a competitive sustainment level necessary to encourage officers and soldiers to serve at West Point and to attract high-quality young cadets to embark upon a career of service to the Army.

At the same time, he tirelessly dealt with the Department of Defense and Members of Congress to make the case for critical funding for West Point. The successful completion of Arvin Gym will be of great credit to Dan Christman.

In concert with his desire to prepare the institution for the next century, he revised the institution's formal mission statement to a more comprehensive expression of its foundation and objectives. His leadership was also instrumental in establishment of the William E. Simon Center. The center will promote the study of the professional military ethic in the Army and nationally. This project is but one example of General Christman's efforts to enlist the skills, talents, and character of the West Point community for a broader national purpose.

He leaves a notably improved academy in terms of leadership, facilities, and morale. The military, academic, physical and moral/ethical development of programs at the academy have never been stronger and never been more connected to the Army. With his actions, General Christman has set the course for officer education into the first half of the new century.

A consummate professional, General Christman's performance of duty during his long illustrious career exemplifies the finest traits of duty, honor, and country. His service reflects a deep commitment to West Point, the Army, and to our Nation.

Mr. Speaker, I ask my colleagues to join me in thanking General Daniel Christman for his honorable service to the citizens of the United States of America. I wish him, his lovely and intelligent wife, Susan, and their children continued success and happiness in all of their future endeavors.

Mr. SPENCE. Mr. Speaker, I rise today to recognize an exceptional United States Army officer, Lieutenant General Daniel W. Christman. Next, month, General Christman completes a highly successful five year assignment as the Superintendent of the United States Military Academy, West Point, New York. It is a pleasure for me to recognize a few of his many outstanding achievements.

A native of Hudson, Ohio, General Christman graduated first in his class from the United States Military Academy in 1965. He holds master's degrees in civil engineering and public affairs from Princeton University and a law degree from George Washington University. He is also a graduate of the Army Command and General Staff College and the National War College. He is a member of the Pennsylvania and Washington, D.C. Bars and he is also a member of the Council on Foreign Relations.

General Christman's major command assignments include serving as the nineteenth United States Representative to the North Atlantic Treaty Organization (NATO) Military Committee, Brussels, Belgium (1993–94); Commanding General, United States Army Engineer Center and Fort Leonard Wood, and Commandant, United States Army Engineer School, Fort Leonard Wood, Missouri (1991–93); Commander of the Savannah District, United States Army Corps of Engineers in Savannah, Georgia (1984–86); Commander of the 54 Engineer Battalion in Wildflecken, Germany (1980–82); Company Commander in the 326th Engineer Battalion, Hue, Vietnam (1969–70); and Company Commander, 2nd Engineer Battalion, Changpo-Ri, Korea (1966).

His major staff assignments involved service as a Staff Officer in the Office of the Deputy Chief of Staff for Operations, Department of the Army, Washington, D.C. (1976–78) and as a Staff Assistant with the National Security Council, The White House (1975–76). In both of these assignments, General Christman was responsible for advising the Army Chief of Staff and senior staff on the Strategic Arms Limitation Talks (SALT). Further, he was called upon to testify before the House Select Committee on Intelligence regarding Soviet compliance with earlier arms control agreements.

General Christman served for 21 months as Assistant to the Chairman of the Joint Chiefs of Staff, General John M. Shalikashvili (1994–96). In this capacity, he supported Secretary

of State Warren Christopher as a member of the Middle East Peace Negotiating Team and in arms control negotiations with the Russian Federation. Additionally, General Christman served for a year and a half as Army adviser to the Chairman of the Joint Chiefs of Staff, Admiral William J. Crowe, and then as Assistant to the Attorney General of the United States for National Security Affairs.

General Christman also served as Director of Strategy, Plans and Policy in the Department of the Army Headquarters, Washington, D.C. His duties in this assignment focused on negotiations relating to the Conventional Forces in Europe (CFE) arms control talks between the NATO and the Warsaw Pact. In the course of supporting these negotiations on behalf of the Chief of Staff of the Army and the Chairman of the Joint Chiefs of Staff, General Christman briefed former President Bush and traveled to Europe to brief allied heads of state and the NATO Secretary General. He has also been called upon to testify before the Congress on CFE initiatives, as well as on other topics relating to our NATO commitments and Army force structure.

On June 24, 1996, Lieutenant General Daniel W. Christman arrived for duty as the 55th Superintendent of the United States Military Academy at West Point. In this capacity, he was charged with educating, training, and inspiring the Corps of Cadets, so that each graduate is a commissioned leader of character committed to the values of duty, honor, and Country; professional growth throughout a career as an officer in the United States Army; and a lifetime of selfless service to our Nation.

Among his military decorations are the Defense Distinguished Service Medal (two awards), Distinguished Service Medal (two awards), Defense Superior Service Medal, Legion of Merit (two awards), Bronze Star Medal (two awards), Meritorious Service Medal (two awards), and the Air Medal (three awards).

Mr. Speaker, Dan Christman has come to epitomize those qualities that we as a Nation have come to expect from our Army—absolutely impeccable integrity and character, as well as professionalism. He has served our Country with distinction for the past 36 years, and he has demonstrated a dedication to duty that is in keeping with the highest standards and proud traditions of the Armed Forces of our Nation. As he moves into new endeavors, I call upon my colleagues from both sides of the aisle to wish him and his lovely wife, Susan, much continued success.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Missouri (Mr. SKELTON) is recognized for 5 minutes.

(Mr. SKELTON addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

COMMANDER IN CHIEF'S AWARD FOR INSTALLATION EXCELLENCE

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from North Carolina (Mr. JONES) is recognized for 5 minutes.

Mr. JONES of North Carolina. Mr. Speaker, as the elected representative of North Carolina's Third Congressional District, I have the privilege of representing several fine military bases. As such, I am honored to represent the men and women in uniform at these installations who give their all to make the United States military the greatest fighting force in the world.

They carry out their duties daily knowing that at any moment they might be asked to put their lives on the line to defend our freedoms.

While I feel this same dedication to all of the military personnel in my district and around the world, I am here today to pay special tribute to two of the bases in my district, Seymour Johnson Air Force Base and Marine Corps Base Camp Lejeune.

On March 23, the Pentagon announced the winners of the Commander in Chief's Award for Installation Excellence. Camp Lejeune was named best of the Marine Corps and Seymour Johnson was honored as being the best of all military bases across the services.

Each year, U.S. military installations around the world compete within their branch of service for this award. Five awards are given out to the best of the best of all of the bases. It is quite a distinction. The criterion for qualifying is daunting. So I cannot truly express the pride that I felt to learn that two of the five best bases in the world are in the Third District of North Carolina.

These awards are a tribute to commitment to excellence of the men and women who serve at these bases. They are also tributes to the fine leadership at each installations: General Norman Seip at Seymour Johnson Air Force Base and General Ron Richard at Camp Lejeune.

I commend all of them for not just the dedication that it takes to win these pivotal awards but to their great service to our Nation.

Mr. Speaker, this Friday the five bases that received the Commander in Chief's Award for Installation Excellence will be honored during a ceremony at the Pentagon.

□ 1615

While schedule conflicts will unfortunately prevent me from attending the ceremony, I wanted the men and women who serve at Seymour Johnson Air Force Base and the Marine Corps' Camp Lejeune to know I am truly humbled and honored to be their representative in the United States Congress.

So I offer my most heartfelt congratulations to Marine Corps Base Camp Lejeune and the people of Jacksonville, North Carolina, and to Seymour Johnson Air Force Base and the people of Goldsboro, North Carolina, on being recognized for what we in North Carolina have known all along, that they are indeed the best in the world.

The SPEAKER pro tempore (Mr. GRAVES). Under a previous order of the House, the gentlewoman from the District of Columbia (Ms. NORTON) is recognized for 5 minutes.

(Ms. NORTON addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. HORN) is recognized for 5 minutes.

(Mr. HORN addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

ECONOMIC DISASTER IN KLAMATH BASIN

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Oregon (Mr. WALDEN) is recognized for 5 minutes.

Mr. WALDEN of Oregon. Mr. Speaker, we are in the midst of an economic disaster in the Klamath Basin of Oregon that demands the attention of Congress and this country.

The good people of this Basin were lured there by a promise made by the Federal Government nearly a century ago: ''Come settle the West, and we will provide you with land and water; produce food for our Nation, secure our western expansion, and we will reward you.''

Moreover, the government gave first priority to the men and women who fought for our Nation's freedom in World War I and World War II. Yes, our veterans who risked life and limb were rewarded, indeed enticed, to help the government reclaim the land and feed the country.

In 1905, the newly created Bureau of Reclamation started construction of the Klamath Reclamation Project on the land surrounding Upper and Lower Klamath Lakes in Oregon. It is on the Oregon-California border. The project, using dams, canals and ditches, brought water to the arid land.

Three years later, President Theodore Roosevelt designated our country's first national wildlife refuge in the Klamath Basin. Roosevelt understood and supported the need for irrigated agriculture and the interrelationship the project had with the refuge.

For years, farming and wildlife coexisted beneficially. Water from the project fed into the refuge, and farmers grew crops that in part were available for the birds. A resurgence of bald eagles occurred.

Today, of all this is threatened; the quality of the refuge, the livelihood of the farmers. Why? Because over time the government has passed new laws that reallocate the water in more ways than there is water. And on April 6, the Bureau of Reclamation announced for the first time in this country's history, there would be no water for farmers. None. Zip. Zilch. Nada. The headgates would remain closed. The canals would remain dry. The farmers were on their own.

Suckers, that is right, sucker fish, in Upper Klamath Lake now had to be saved at all costs. Higher lake levels were set. Meanwhile, other biologists said more water must flow down the Klamath River to help threatened salmon runs. More water in the lake.

More water in the river. But no water for farmers.

The Endangered Species Act is supposed to have a reasonable and prudent test, so I ask you, is it reasonable and prudent to bankrupt nearly 2,000 farm families? Is it reasonable and prudent to bring economic disaster to an entire basin? Is it a reasonable and prudent operations plan for the project to not operate the project? Monday, a Federal Court basically said yes.

Well, I could not disagree more, and these new requirements are anything but reasonable and prudent for the farming families and the communities in the Klamath Basin.

So today we are facing a disaster, and today we must decide as a Nation if we are going to pass laws for the ''benefit'' of the whole country; then, if those laws bring about the demise of a few, the whole Nation needs to compensate the few for their loss.

So I am proceeding with aggressive efforts to get disaster relief to the farmers and others in the Basin who are living this hardship every day. I am also working closely with the Bush administration to step up efforts to add to the water storage in the Basin, so that fish and farmers will have adequate supplies in the years ahead.

If the government is going to allocate more water than it has, then it darn well better figure out how to keep its commitment by adding to the storage.

I commend the gentleman from Utah (Chairman HANSEN) for appointing a bipartisan task force to look into the Endangered Species Act and how it is affecting people and communities. Today I have asked him to use the situation in the Klamath Basin specifically as a perfect example of the problem we face.

Too often in the past, the Federal Government has set the standards and then gotten in the way of our ability to achieve them. Today, I met with Federal officials and urged them to let Oregonians have more say in how we meet Federal laws. What we need most right now is for the Federal Government to work with us, not against us; to stand up for balance, not disaster.

This administration has tried in vain to find a way to provide water to farmers this year, but they were boxed in by the unworkable requirements of the Endangered Species Act. They have inherited a mess, but at least they are working with us to bring a change.

From the dust bowl and disaster that will result this summer perhaps will rise the change that is so needed and so overdue. We should never have ended up in this place.

Perhaps the recognition will come that people and communities must be part of any successful effort to improve our environment and not simply double-crossed and run off the land.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Indiana (Mr. BURTON) is recognized for 5 minutes.

(Mr. BURTON of Indiana addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

PROTECTING ROADLESS AREAS IMPORTANT TO COUNTRY

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Washington (Mr. INSLEE) is recognized for 5 minutes.

Mr. INSLEE. Mr. Speaker, I come to the well today to alert the House to a decision that the administration will make this Friday, May 4, extremely important to the future of our forests in this Nation, because this Friday, this administration will either come to the aid, to the preservation of our roadless areas and our Forest Service land, or it will take a dive and refuse, in fact, to defend the law of the United States that is designed to protect these roadless areas in a lawsuit in Idaho. I am here to urge this administration to follow the law, to follow the will of the American people to protect these last remaining roadless areas in our forest lands.

Let me tell you why I feel strongly about that. A couple months ago the President came to this Chamber and gave a speech that was well received. One of the things he said, he quoted Yogi Berra, which I liked, he quoted Yogi Berra in the famous quote, ''When you come to a fork in the road, take it.'' But unfortunately, recently this President has taken the fork and he stuck it in every environmental policy that has come before him on his plate.

May 4, this Friday, is an opportunity for this President to change that pattern of failure for our environment by, in fact, defending the roadless area policy that needs defending in a lawsuit in Idaho.

Let me tell you why, clearly, the administration ought to take these steps. Number one, the American people want it. In one of the most exhaustive processes in adopting the roadless area policy, we have come to a very clear consensus that in fact the American people want this roadless policy. They want their wilderness areas protected. They want their old growth protected from the incursions of roads for clear-cutting, for oil drilling, for mining.

How do I know that? I know that because the Forest Service conducted over 600 meetings over the last couple of years in every corner of this country. In my State of Washington they had scores of meetings, in towns like Morton and Okanagan, not just Seattle, but little areas, 600 meetings, where over 1.6 million Americans told their Federal Government what they thought about the roadless policy.

The results were amazing. In Washington State there were tens of thousands of people who contacted their government. You know what they told their Federal Government? Ninety-six percent of the people who responded in the State of Washington told their Federal Government to protect these roadless areas. As a consequence, the last administration issued a rule that did exactly that, that followed 96 percent of the people in the State of Washington, who responded to this issue, to protect these roadless areas.

So it seems to me, when 96 percent of the people tell their Federal Government what they want, the Federal Government ought to respond, ought to listen to those wishes. But, unfortunately, following a long series of listening to the special interests, we are very concerned that the Bush administration will in fact take a dive in this lawsuit of folks who are seeking to overturn this rule.

The reason I say that is a recent Washington Post article that revealed that the administration had asked the Attorney General for ways to get out from underneath this rule, to in fact take a dive. We had testimony in my Committee on Resources a couple of weeks ago where a Department of Agriculture official revealed, in fact, they had been asked about how to do exactly that in this rule. That would be wrong. What would be right would be to listen to the will of the American people and let this roadless policy stand.

I will tell you why Americans feel so strongly about it. It is my second point here today. This roadless area policy is required to respond to certain American values of taking care of your natural world, to preserve it for your heritage and your kids and grandkids and great-grandkids.

In fact, what we found the testimony in these 600 meetings revealed is, people do not want to see their salmon habitats destroyed by clear-cutting, because what we found in the State of Washington is, when you do this clear-cutting in these roadless areas, you get erosion off the hills and that silts up the salmon streams and that destroys the salmon and that creates an endangered species, and that ends salmon fishing in the Northwest, a heritage that we have enjoyed throughout the generations.

This roadless area is designed to prevent the end of salmon in the Pacific Northwest and other places. We need this administration to listen to the people who said we want to preserve our salmon.

So, Mr. Speaker, in conclusion, I just want to say it is not the time to start drilling in our National Forests. We ought to stick with this roadless policy. It certainly would be wrong to drill in our National Forests at the same time we do not increase the average mileage for our vehicles.

GOVERNMENT BANKRUPTING KLAMATH BASIN AREA

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. HERGER) is recognized for 5 minutes.

Mr. HERGER. Mr. Speaker, a government-caused disaster is bankrupting an

entire farming community in the Klamath Basin of Northern California. Families are being told simply that there is zero water for farming this year. It is an unspeakable tragedy and an appalling example of the power of the Endangered Species Act.

This is a poster child for the need to reform this misguided law and for all that is wrong, unjust and unbalanced with extreme environmental policies. It is a heartbreaking example of how people, families and, indeed, entire communities, can be sacrificed at the stroke of a biologist's pen, and based on nothing more than incomplete data, speculation and guesswork.

There is little consideration given to the human species under the Endangered Species Act. Once an animal or fish species is listed, its needs must come first, before the rights and livelihoods of the American people. This is not reasonable, it is not balanced, it is not prudent.

Farmers should be irrigating right now, but the normally bustling towns of the Klamath Basin in Northern California and Southern Oregon are quiet. Without water for the crops that drive this economy, farmers cannot work in their fields; the fertilizer companies, the maintenance shops, all agricultural-related businesses are closing. Delivery trucks and processing plants sit idle. Unemployment will rise.

More than 12 years ago the government decided that a species of fish was in decline and had to be protected under the Endangered Species Act, despite the fact that nobody really knows how many fish there are, how many there have been historically, and how many there should be. But because the ESA requires protection at any cost and all costs, the water has been shut off completely and there will be no farming this year. The Federal Government has reneged on its promise and has left these farmers wondering how this could happen.

But, Mr. Speaker, this need not happen. Three decades ago this country put men on the moon. With technology and know-how, the impossible became possible, and I know that we can do this in the Klamath Basin and throughout the country.

Protecting the environment and maintaining our local economies need not be mutually exclusive. In fact, we have studies that tell us, as surprising as this may seem, that more water does not necessarily equal more fish.

□ 1630

The issue is one of water quality, and we can do some things to improve that for the fish without simply taking water from our farmers. But the extreme environmentalists want this to be an either/or proposition.

Many of us have been working for years to fundamentally change the ESA, knowing that it allows for just this kind of tragic result. We have simply asked for reasonableness, for common sense, for balance between the needs of people and the needs of fish.

We have seen lives lost because of the Endangered Species Act, preventing us from fixing levees. We have seen the rights of property owners trampled. Now we are seeing people lose all they have or worked for. The loss of life, the loss of livelihoods, the trouncing of fundamental rights to freedom and the pursuit of the American dream, all of this is occurring under the extremes of the Endangered Species Act.

I would venture to guess that this is not what the American people truly want, and that this is not what Congress envisioned when it crafted this legislation more than 30 years ago.

I am committed to making sure the entire Nation knows that this is happening, and to working with this Congress and with the administration in making sure that it does not happen ever again. We need a fundamental change in this law so that we can prevent our local economies and the environment from being pitted against one another. If we put a man on the moon, I know that we can do this.

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from New Mexico (Mr. UDALL) is recognized for 5 minutes.

(Mr. UDALL of New Mexico addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Pennsylvania (Mr. PLATTS) is recognized for 5 minutes.

(Mr. PLATTS addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Colorado (Mr. UDALL) is recognized for 5 minutes.

(Mr. UDALL of Colorado addressed the House. His remarks will appear hereafter in the Extensions of Remarks.)

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from California (Ms. SANCHEZ) is recognized for 5 minutes.

(Ms. SANCHEZ addressed the House. Her remarks will appear hereafter in the Extensions of Remarks.)

IMMIGRATION RELIEF FOR THE SUPPORT STAFF OF FERDINAND MARCOS

The SPEAKER pro tempore. Under a previous order of the House, the gentlewoman from Hawaii (Mrs. MINK) is recognized for 5 minutes.

Mrs. MINK of Hawaii. Mr. Speaker, today I rise to re-introduce a bill that provides immigration relief for the support staff of Ferdinand Marcos. This bill is similar to H.R. 4370, which I introduced in the 106th Congress.

In 1986, President Marcos of the Philippines was granted political asylum in the United States to avert civil conflagration because of a popular uprising against his regime. The civil unrest arose following a controversial election in which President Marcos claimed to have defeated Corazon Aquino but was widely accused of election fraud. Growing street demonstrations in support of Mrs. Aquino raised fears of violence against what many viewed as a fraudulent election result. President Marcos left the Philippines on February 25, 1986 at U.S. urging and went into exile in Hawaii.

President Marcos, his wife Imelda and 88 members of his staff and their families were advised that they were being allowed into the United States with ''parole'' status for the convenience of the U.S. Government. This status is a legal fiction in which the individual is physically present in the United States but had never been ''admitted'' to the United States. The Immigration and Naturalization Service (INS) can terminate parole status at any time. The individual can be treated as if he or she had entered the United States illegally and had no right to be here. In this case, it is extremely unfair.

INS has instituted proceedings to expel some of these individuals and their families but not all of them. The only pattern which seems to exist is that only individuals living in Hawaii are targeted for removal or exclusion proceedings. Based on reports I have received, no member of the Marcos entourage who moved to the mainland had been the target of any exclusion, deportation or removal proceeding.

These immigrants were invited to the United States to help care for President Marcos who was already ailing and died in 1989. They were told that they could bring their families with them. They have been in the United States for fourteen years and are fully integrated into our society. These people should not be deported. They came to the U.S. for an important reason. Because that reason is now past should not cause us to turn against them.

To rectify this unfair treatment, the bill grants the individuals and their families the right to remain in the United States. These honest, hardworking people came to the United States at the invitation of our government. Their presence was known and they have done nothing to violate our immigration laws. To uproot them would be an injustice to them and their families that we should not allow.

The exile Marcos government in Hawaii was instigated by the U.S. to save the Philippines from political turmoil and rebellion. Those who came to implement this policy to end civil unrest in the Philippines should have the protection of this government.

I urge my colleagues to support this bill.

IN SUPPORT OF A MISSILE DEFENSE SHIELD FOR AMERICA

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. HUNTER) is recognized for 5 minutes.

Mr. HUNTER. Mr. Speaker, the President of the United States has stated to the world that he is going to embark on a program to defend the American people from incoming ballistic missiles.

This position, this statement, has started the machinery of dissent

throughout the United States, and indeed, in some of the forums of government in adversarial states and in some of our allied states, with some of our friends around the world.

Mr. Speaker, today it is against the law for the United States of America to defend itself from incoming ballistic missiles. It is against the treaty known as the ABM treaty. That treaty has the force of law in this country.

That means that if Russia, for example, should launch a ballistic missile to the United States, we have agreed, we have promised in a treaty, not to try to destroy that missile but to let it land in the United States and destroy millions of Americans, presumably, if it hits in a major city, or if it hits in a military installation, destroy thousands of American uniformed service personnel.

Now, we made this agreement with Russia, which seems like a stupid agreement, I think, to most people looking at it intuitively for the first time, we made this agreement with Russia when they had an extremely large nuclear arsenal and we had an extremely large nuclear arsenal. We thought that the best way to prevent a war from starting was to say that neither one of us would protect ourselves. So if they threw the first the first rock, we could not stop that rock, but we could respond with an overwhelming fusillade of rocks ourselves, that is, nuclear weapons, and both nations would be totally destroyed by these nuclear explosions.

This doctrine was called the doctrine of MAD, mutually assured destruction. Because of that, we adhered to our treaty not to ever build a defense against an incoming nuclear weapon.

Now, President Reagan did not like that. He said the best way to defend this country is to truly defend it, not simply to wreak vengeance on someone who throws that first nuclear weapon. The way to be most humane and not to destroy cities and not to kill millions of people is to have a shield, to have a shield or a protection against that incoming ballistic missile.

That was some 17 years ago, Mr. Speaker. Today President Bush renewed that idea and that philosophy, and said it will soon be manifested in an American missile defense program.

Now, even for those people who thought that MAD, mutually assured destruction, was a good treaty to have between the United States and Russia, then the Soviet Union, it does not apply anymore. The reason it does not apply anymore is because there are now lots of countries that never signed any treaty with the United States who now are developing missiles with the capability of carrying nuclear, biological, or chemical warheads into the United States.

For example, China never signed that treaty. They are building ballistic missiles right now and aiming them at American cities and telling us, it is your obligation not to defend yourselves. North Korea now has recently tested a missile which, if we extrapolated its flight, would have enough stretch, enough distance to get to the United States, or at least parts of the United States.

Iraq and Iran are now testing missiles with increasing capabilities. They never signed any ABM treaty or agreement not to defend themselves, or for the United States not to defend itself against incoming missiles. They never signed the ABM treaty. North Korea did not sign the treaty. China did not sign the treaty.

As time goes on, we are going to see that this is the age of missiles. More and more nations are building those missiles. To some degree, we are like this country was in the 1920s when General Billy Mitchell came back to the Coolidge administration and said, ''You know something, we live in an age of air power. We had better start building airplanes, because lots of other people, including potential adversaries, are building airplanes. If we do not build airplanes, if we do not get into the aerospace age, we are going to lose a lot of Americans dead on the battlefield of the next war.''

We did not pay too much attention to Billy Mitchell. In fact, we court-martialed him for saying the Nation was unready for war. In fact, we were moving into the aerospace age. Although we lagged with our industrial base, we were able to catch up. It was because of American aerospace dominance in World War II that we were able to prevail in that war. Ever since then, our country has dominated the skies with respect to aircraft.

By the same token, Mr. Speaker, we live today in an age of missiles. In fact, it was in the Desert Storm operation that we saw for the first time Americans killed by ballistic missiles; slow missiles, but ballistic missiles.

For that reason, President Bush, in conclusion, Mr. Speaker, is absolutely right on to launch this program that will defend uniformed American servicemen and our citizens against incoming ballistic missiles. The American people should get behind it.

THE MILITARY SURVIVORS EQUITY ACT

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from California (Mr. FILNER) is recognized for 5 minutes.

Mr. FILNER. Mr. Speaker, I would bring my colleagues down to Earth after the last speaker.

I rise today to speak about a bill to restore equity, equity, Mr. Speaker, to the survivors of our Nation's veterans. I call that bill the Military Survivors Equity Act, H.R. 1232.

It is hard to believe that we continue to condone a system that penalizes the aging survivors, mostly widows, of the veterans of our Nation. But that is exactly what the Military Survivors Benefit Plan does. When a member of the military retires, he or she may join the Survivors Benefit Plan, known as SBP. After paying a premium for many, many years, the retiree expects that his or her spouse will receive, as is claimed in the literature, 55 percent of the retired military pay when that veteran dies.

But it turns out, in a very painful realization, that this is not the case. Most of the survivors who receive SBP benefits are military widows. We may not realize it, but when these widows who are receiving SBP benefits turn 62, what is called a Social Security offset causes their benefits to be reduced from the 55 percent they thought they were getting to 35 percent of their husband's military retired pay. That is quite a shock for widows.

This occurs even when the Social Security comes from the wife's employment. That is, they were entitled to the Social Security, the premium was paid for for their retirement, and yet, they offset one another.

Let me tell Members what this means to a military widow. I have received a lot of letters on this topic from my constituents and from around the country. Here is what one of them says:

> My husband, who served in the Army for 20 years, was on Social Security disability because of heart problems and could no longer work. He died when I was 61. I received Social Security income plus my SBP. With those two incomes I was doing fine, paying my monthly bills and having enough left for groceries. But when I turned 62, I was notified that my SBP was reduced from $476 to $302. What a shock. That was my grocery money that they took away from me.

Another letter said:

> While my husband was alive, we worked out a budget for me in case he died. I felt secure in the knowledge that he had provided for me by joining the Survivors Benefit Plan. I could not believe it when I learned I was not going to get the amount we were promised. I cannot believe that our government would do this to the widow of a veteran.

Mr. Speaker, it is past time to change this misleading and unfair law. We must provide some equity to the survivor spouses of our military retirees. My bill would fix this problem by eliminating the callous and absurd reduction of benefits and give what is expected and what is deserved, 55 percent of the military retired pay. To put it simply: no offset; a simple solution to a difficult problem, but an equitable solution to a mean-spirited practice.

Mr. Speaker, I hope my colleagues will join me in cosponsoring H.R. 1232, the Military Survivors Equity Act. Let us do this for our veterans and for their widows, their surviving spouses. We are causing them great pain and anguish.

FURTHER MESSAGE FROM THE PRESIDENT

A further message in writing from the President of the United States was communicated to the House by Ms. Wanda Evans, one of his secretaries.

PERIODIC REPORT ON NATIONAL EMERGENCY WITH RESPECT TO SUDAN—MESSAGE FROM THE PRESIDENT OF THE UNITED STATES

The SPEAKER pro tempore laid before the House the following message from the President of the United States; which was read and, together with the accompanying papers, without objection, referred to the Committee on International Relations and ordered to be printed:

To the Congress of the United States:

As required by section 401(c) of the National Emergencies Act, 50 U.S.C. 1641(c), and section 204(c) of the International Emergency Economic Powers Act (IEEPA), 50 U.S.C. 1703(c), I transmit herewith a 6-month periodic report on the national emergency with respect to Sudan that was declared in Executive Order 13067 of November 3, 1997.

GEORGE W. BUSH.

THE WHITE HOUSE, *May 2, 2001*.

SOCIAL SECURITY

The SPEAKER pro tempore. Under a previous order of the House, the gentleman from Michigan (Mr. SMITH) is recognized for 5 minutes.

Mr. SMITH of Michigan. Mr. Speaker, I am going to talk about Social Security, a little bit about the problems, a little bit about the commission that was appointed today by the President of the United States, George Bush, to try to come to a conclusion that is going to keep Social Security solvent.

We have been looking and acknowledging for almost 6 years now the serious problem of Social Security solvency. It has been a problem because when we developed Social Security in 1934, it was set up as a pay-as-you go program, where current workers pay in their Social Security tax and it is immediately sent out to current retirees.

What we have been experiencing over the last 65 years is a dwindling number in the birth rate and an increasing lifespan of seniors. So, for example, in 1942, we had almost 40 people working paying in their Social Security tax for every one retiree. Today, yes, Mr. Speaker, there are three people working paying a much higher Social Security tax to accommodate every one retiree.

The guess is that within 20 years, it is going to be two workers paying their tax for one retiree, so the challenge is increasing the return on that money that is being paid in by employees and employers in the United States.

Right now, the average employee is going to get a 1.7 percent return on the money they have paid in to Social Security in Social Security taxes. Today the President appointed a commission. It was my recommendation that we do not use a commission to further delay the implementation of a solution for this, because the fact is that the longer we put off this decision, the more drastic the changes are going to have to be.

There are only two ways to solve the Social Security dilemma: We either increase the revenues, or we decrease the benefits and the amount of money going out.

□ 1645

And what some of us have been suggesting for several years is that we increase revenue by getting a better real return on some of that money rather than simply lending it to the Government.

We have heard a lot of bragging that we are paying down the public debt. Actually, we are borrowing the money from Social Security and writing an IOU and then using that money to pay down the so-called debt held by the public, or I call it the Wall Street debt.

I urge the President to urge this commission to move quickly. I urge the commission to look at the legislation that many of us have been introducing over the last 6 or 7 years to make sure we keep Social Security solvent.

I think it is very important for the American people to know, Mr. Speaker, that we should not accept any recommendation from the White House that does not keep Social Security solvent for at least the next 75 years. It is too easy to say let us put Social Security first and then do nothing except add rhetoric and maybe pay down the debt a little bit. But what we have done with the so-called lockbox, with the so-called paying down the debt held by the public, does not help solve the long-term Social Security problem.

So I appreciate this time, Mr. Speaker; and I urge the commission to act as quickly as possible. I do see members of that commission that are going to be on the bottom end of the learning curve. That means that if they are going to understand the complexity and seriousness of the Social Security problem, that they need to do a lot of burning of the midnight oil.

PATIENT PROTECTION AND PRESCRIPTION DRUG COVERAGE LEGISLATION

The SPEAKER pro tempore (Mr. GRAVES). Under the Speaker's announced policy of January 3, 2001, the gentleman from Iowa (Mr. GANSKE) is recognized for 60 minutes as the designee of the majority leader.

Mr. GANSKE. Mr. Speaker, just a heads up, I will probably only take about half of this time, so that if any Members on the other side are going to give a Special Order, they should realize that I will not take the full hour.

Mr. Speaker, I want to talk a little bit about two health care issues that are very important: patient protection legislation and prescription drug coverage. Just last night, Mr. Speaker, I was at an event here in Washington, and a gentleman who is a CEO of one of the world's largest corporations received an award. This gentleman had had, when he was a child, a bilateral cleft lip repaired, and he spoke beautifully. He has risen to the pinnacle of the business world. He had the advantage of having the appropriate care when he was a baby. And yet if we look at what has happened, my colleagues, around the country, with the advent of managed care, we will see cases like this.

Before coming to Congress, I was a plastic and reconstructive surgeon. I took care of lots of babies that were born with birth defects like this, a cleft lip and a cleft palate. And in the last several years, at least 50 percent of the surgeons who take care of children with birth defects like this have had operations on their patients denied because they were not ''medically necessary.'' Not medically necessary.

Let me give a few other examples. In 1996, Musette Batas was 6 months pregnant when she had an inflammatory bowel disease flare-up. Her insurance company authored a 1-day hospitalization. Her primary care physician asked for a longer stay, but her HMO concurrent review nurse looked at Mrs. Batas' chart and said it was not ''medically necessary.''

Now, the nurse never consulted with the physician; she never saw the patient. Musette Batas went to the emergency department 10 days later with fever and pain. A physician sought approval for exploratory surgery. Three days later, the doctor still had not heard from the HMO and her intestine burst. Four days after emergency surgery, in which part of her colon was removed, the HMO nurse told her physician she had to be discharged. The physician refused. The nurse reviewed her chart, she consulted Millimen and Robertson's care guidelines, and based on that, the nurse said the HMO would not pay for any more time in the hospital because it was not ''medically necessary.'' So she left the hospital because she could not afford to pay for it herself.

How about down in Texas in the last few years? There is a gentleman named Plocica. Mr. Plocica. He was suicidal. He was in the hospital. His psychiatrist said he needed to stay in the hospital. His HMO said no, we do not think he does. It is not medically necessary. So we are not going to pay for any more hospitalization. And when an HMO does not pay for a hospitalization, most people cannot stay in the hospital because they cannot afford the care.

They could not afford to pay for it out of pocket, so Mr. Plocica went home. His family reluctantly took him home, and that night he drank half a gallon of antifreeze and he committed suicide.

How about Nancy T. Vogel? She had a total abdominal hysterectomy to remove two tumors that weighed more than 3½ pounds. Her doctor said she needed at least 96 hours in the hospital to recover. As a physician, I would say that is the minimum. An HMO nurse looked at Millimen and Robertson's guidelines, guidelines that are used by HMOs, and determined that only 48 hours was medically necessary. So she left after 48 hours.

I would argue that those definitions of ''medical necessity'' are a medical judgment under those HMO contracts. I think a licensed physician should be the one making those medical judgments, not the HMO. And certainly not based on guidelines like Millimen and Robertson's. In fact, Millimen and Robertson's itself admits that its guidelines are not based on prevailing medical opinion but are ''goals'' that predict what should happen in the best cases with patients free of any complications.

How about this case? Another medical judgment case by an HMO. A little baby, James, who was about 6 months old when this picture was taken. One night he has a temperature of about 104, 105. He is really sick. It is 2 or 3 in the morning. His mother phones the 1–800–HMO number, explains that her baby is really sick and needs to go to the emergency room, and from some disembodied voice thousands of miles away she gets instructions: I want you to go to this particular hospital, and that is the only hospital I will authorize you to go to, because that is the only one we have a contract with. And the mother says, well, where is it? And the reviewer says, well, I do not know, find a map.

So they start looking for this hospital. It is 70 miles away, clear on the other side of Atlanta, Georgia. But mom and dad, they are not medical professionals, they do not know exactly how sick little James is. They do know that if they go to an unauthorized hospital they will be stuck with the bill, and they are not rich people.

So they bundle Jimmy up, they start on their trip, and halfway through the trip they pass three emergency rooms that they could have stopped at but for which they did not have an authorization. They were not told by the reviewer that their baby was really sick, take him to the nearest emergency room. Oh no, we will only authorize care at this very distant hospital. And before they get to the hospital, little James has a cardiac arrest.

So imagine this. You are dad, driving like crazy, and mom trying to keep this little baby alive, after the HMO makes a medical judgment over a telephone never having seen the baby. Well, they come screeching into the emergency room. Mom leaps out of the car screaming, ''Save my baby. Save my baby.'' Nurses come running out, and they manage to get an IV started. They manage to get the baby's heart going, and they save his life. The wonders of modern medicine. But they were not able to save all of Jimmy, because Jimmy ended up with gangrene in both hands and both feet. Because of that HMO's medical judgment, both of his hands and both of his feet had to be amputated.

My colleagues will be happy to know that under a Federal law that was passed by Congress 25 years ago, that HMO is liable for nothing for that negligent medical decision other than the cost of care needed, i.e., his amputations. Is that justice?

We had testimony 4 years ago in front of my committee from an HMO medical reviewer who testified that she had made decisions that had cost people their lives. She had denied them proper care, and she could hide behind what she called the smart bomb of HMO cost containment: denials on medical necessity.

In fact, under contracts that HMOs can write, they can define medical necessity in any way they want to under the Federal law ERISA. They can write a contract with an employer that says we define medical necessity as the cheapest, least expensive care. A person who does not have enough blood supply going to his legs, where a physician could save the legs by vascular reconstruction, that HMO could justify an amputation. Because, after all, under their own definition, that is the cheapest, least expensive care.

We have to do something to fix this. This is a travesty. We have been having this debate on patient protection for 5 years now, and yet the forces of the HMO industry have spent hundreds of millions of dollars to try to defeat us. Eighty-five percent of the people in this country want to have Congress fix that Federal law. They think Congress should do something to prevent a travesty like this from happening.

□ 1700

Our bill would do that. The Ganske-Dingell bill in the House, the McCain-Edwards bill in the Senate, we set up a system to prevent this type of thing from happening, Mr. Plocica from being sent home prematurely from the hospital and then committing suicide.

We set up a review process because if there is a disparity based on standard of care, ultimately you can go to an independent review panel. Even on an expedited basis, you can get an independent panel to make a medical judgment, a panel that does not have a conflict of interest, that is not paid for by the HMO, so that you would know that they would be independent and be giving you the truthful answer.

We believe our bill would prevent the types of lawsuits that resulted from the care that Nancy Vogel received. But more importantly, we think that if our bill were law, we could help prevent a little boy from losing both hands and both feet, Mr. Plocica from committing suicide, Nancy Vogel from being sent home prematurely after having 3.5 pounds of tumor removed from her belly.

I ask my colleagues to talk to their constituents back home about this issue. I guarantee that a very large percentage of them will not have been treated fairly by their employer's health plan, or they know somebody at work who has not been treated fairly, or they have a family member who has not been treated fairly. Let us pray to God that they have not had somebody who has lost their life, because that has happened also, as has been outlined in cover stories in Time magazine.

It is time for this Congress to do something on the Patients' Bill of Rights, something real, not an HMO protection bill, but something that helps people.

I urge this Congress to move forward expeditiously. I urge the Senate to bring this bill up as soon as possible, and I think that we will do that on the House side also. I ask my colleagues not to listen to the HMOs.

Whose side are you going to be on? Are you going to be on the side of your constituents and your patients, or are you going to be on the side of the HMOs? Can you justify a Federal law that gives legal immunity to health plans that are making life-and-death decisions millions of times a day, when just a year ago we held hearings in this House on Bridgestone and Firestone, on tires that blew up. Is there any other industry in this country that has legal immunity other than foreign diplomats?

It was a perversion of the law 25 years ago, that was passed to be a consumer protection law for pensions, that became an avenue for HMOs to avoid their responsibility, a way for them to cut corners regardless of whether it hurt people. This Congress has a moral obligation to come back and fix that Federal law. We should do it soon.

Now let me talk a little bit about another health care issue that is really important. That is the issue of the high cost of prescription drugs.

Mr. Speaker, this is a photo of Bill Newton. He is 74 years old from Altoona, Iowa, my district. His savings vanished when his late wife, Juanita, whose picture he is holding, needed prescription drugs which cost as much as $600 per month. He said, ''She had to have them. There was no choice. It is a very serious situation and it is not getting any better because drugs keep going up and up.''

Mr. Speaker, I have constituents that write me letters, some of them go down to Texas for vacation and they go across the border to Mexico and they find that their prescription drug costs are half of what they are in the United States. Look at the difference in drug costs between the United States and Europe.

Premarin: U.S. price, $14.98; European price, $4.25. Coumadin: 25 pills, 10 milligrams, $30 in the United States, $2.85 in Europe.

How about Claritin, for 20 10-milligram pills, it costs $44 in the United States and it costs $8.75 in Europe.

We need to do something about this. We need to do something about the high cost of prescription drugs, not just for senior citizens, but for everyone. Because, Mr. Speaker, the main reason why health insurance premiums have gone up so fast in the last couple of years has been to cover the 20–25 percent annual increase in the cost of prescription drugs.

Now, last year, we had a Republican bill and a Democratic bill. Both of

them were voluntary. Both of them were set up essentially so that a person had to have about $1,000 out-of-pocket expense before they would get a benefit for the increased premiums that they would pay. And both of those bills' premiums were premised on the fact that 85 percent of seniors would sign up for the program.

Mr. Speaker, look at this data from 1999: 14 percent of senior citizens had no drug expenditures a couple of years ago; 36 percent had less than $500; another 19 percent had less than $1,000. That meant that 50 percent of the Medicare population had drug expenses that were less than what the cost of their premiums would have been under either the Republican or the Democratic plan last year. Under a voluntary plan, that becomes very questionable whether people will sign up for a benefit if it is going to cost them more than the benefit is worth.

Last year, when I talked about this on the floor, we had some predictions in terms of what those costs would be.

I remember back in 1988, I was not in Congress then, but I remember when Congress passed a catastrophic bill with a prescription drug benefit, passed it one year and repealed it the next because the senior citizens did not like the premium increases. I remember within 6 months the Congressional Budget Office had doubled their estimates for what the cost would be.

I think it is informative to look at what the estimates today are for what last year's House Republican and the Democratic bills were. Last year, the House Republicans estimated that the bill would cost $150 billion. The new estimate in about a 6-month period of time is now, and if that bill were law, it would cost $320 billion. So in a 6-month period, the estimate for the cost of the Republican bill, that passed this House, more than doubled.

How about the Democratic bill from last year, the Daschle bill? It was estimated last year that it would cost $300 billion. This year the estimate, if that were law, it would cost $550–$600 billion.

Now, here are some figures that are mind-boggling. The CBO, the Congressional Budget Office, estimate for how much prescription drugs would cost senior citizens for the years 2002 to 2011 is $1.456 trillion. Now, last year, we thought that the Federal Government would cover about, roughly speaking, 35 percent of that cost. That means that the estimate from last year, which was $150 billion, would be today $510 billion.

Last year, we estimated the cost at providing full coverage for low-income seniors to be something in the range of $80 billion. Well, if we look at the new figures, if we are talking about covering prescription drugs for people who are below the poverty line, for 100 percent of people below the poverty line, we are now looking at an estimate of $255 billion. If we move it up to 135 percent, it would be $425 billion. If we move it up to 175 percent, it would be $600 billion.

Some of those costs are already being covered by Medicaid, so probably $120 billion could be deducted from this, which means that if we are talking about covering low-income seniors, let us say from 135 percent of poverty to 175 percent of poverty, we are probably looking at needing at least $300 billion just to do that.

Now, Mr. Speaker, I want my colleagues to listen to this. Under the current budget resolution which will probably come to the House in the next few days, we have only budgeted $300 billion for a prescription drug benefit. That means that we would essentially cover low-income seniors and no one else. But I would bet that 6 months from now those estimates will be readjusted higher than they are now. That is just typically the way that it has been when we have tried to estimate prescription drug costs.

That is why I have a bill before Congress which I encourage my colleagues to sign onto that I think is realistic. It addresses the difference in cost between prescription drugs made in the U.S., but sold overseas, and helps fix the reimportation loopholes. It does that.

But for Medicare, it will help the low-income senior citizen who is not so poor that he or she is already on Medicaid, getting a drug benefit from Medicaid, but allow senior citizens up to 135 percent of poverty and then phased out to 175 percent of poverty to utilize the State Medicaid drug programs and pay for it from the Federal side. We are not requiring a match from the State legislatures or the State governors because a lot of them are finding that they are under budgetary constraints.

No cost share; we provide for this on the Federal side, but we utilize the State programs that are already in place. We do not have to duplicate the wheel. Those State programs have already negotiated discounts with the pharmaceuticals, and that benefit, I think, would fit within what we are talking about for a budget. And it is an important first step on this.

Mr. Speaker, it would help the senior citizen, the elderly widow who today is trying to pay her energy bills, her food, her housing, and her prescription drugs off of a Social Security check. She needs that help; and we can do that.

But I want to tell my colleagues what the really scary statistic is. That is that these 10-year projections for what the costs are going to be for prescription drug coverage, whether we are talking at the 35 percent level or a 50 percent level, they all go up, and this is really important, I hope my colleagues are listening to this, these estimates are all from 2002 to 2011.

□ 1715

I want to ask my colleagues something. What happens in the year 2012? I will tell my colleagues what happens. The baby boomers start to retire in 2012. That age wave, my demographic group, the baby boomers, start to retire. We will double the number of Medicare senior citizens in about 20 years, but we start that in the year 2012. If my colleagues think that this prescription drug program is expensive now, wait till 2012 when the baby boomers start to retire and we will not just see $1.4 or $1.5 trillion, we will see multiple trillions of dollars. And then we are going to have to ask ourselves, how do we find those funds? How do we keep the other aspects of Medicare such as hospital care going?

We cannot just think, Mr. Speaker, about a 10-year window. We have to take into account that in 2012, 1 year past this 10-year window, the baby boomers start to retire; and we are going to see astronomical increases in Medicare costs. I beg my colleagues, when we are looking at doing a benefit on prescription drugs, and next year when the elections start to roll closer and the pressures get heavy to get something done on prescription drugs, which I think we ought to, and I think we ought to help senior citizens who need it the most, let us look at a way to do this program that helps those that need it the most and then see where we are going to be past that 10-year window. Maybe Medicare reform will help on that. But I think we ought to see the proof in the pudding before we start committing ourselves, not just to $1.5 trillion but to multiple, multiple trillions of dollars on a prescription drug benefit.

On that cheery news, Mr. Speaker, I remain eternally optimistic that we are going to muddle our way through, that we will pass a real patients' bill of rights through a lot of hard work and contention, and I am sincerely hopeful that we will be able to look at a prescription drug benefit and do the right thing for this.

PRESCRIPTION DRUG COVERAGE FOR SENIORS

The SPEAKER pro tempore (Mrs. CAPITO). Under the Speaker's announced policy of January 3, 2001, the gentleman from Texas (Mr. TURNER) is recognized for 60 minutes as the designee of the minority leader.

Mr. TURNER. Madam Speaker, I would like to talk about a subject this evening that has been ignored, I think, for the entire Congress that we have been in since the first of the year, an issue that many of us feel very strongly about, an issue that many of us campaigned on on both sides of the aisle, an issue that I think must be dealt with if we are going to have a budget that is honest and realistic, and that is dealing honestly with the problem of providing prescription drug coverage for our senior citizens.

Tomorrow, this House will vote on a budget that emerges from a conference committee. The details of that budget at this hour, at this late hour, are still very murky, but one thing is clear: a

promise that we all made to our senior citizens this past fall, a promise of affordable prescription drugs, is being shoe-horned into this budget as an afterthought. There are many of us who believe very strongly that prescription drug coverage under Medicare for our senior citizens should be our highest priority.

I am pleased to be joined today in this special order hour by several members of the Blue Dog Democrat Coalition. The Blue Dog Democrats have worked hard to advocate the inclusion of a meaningful and an honest prescription drug benefit for our seniors under Medicare. We all understand the skyrocketing prices that we are paying at our pharmacies. We understand that as a very stark reality. And instead when this House passed its budget, it included prescription drugs as a mere contingency item in a contingency fund that is far overloaded with items that need to be funded.

So we are here this evening to urge this Congress and this President to include a real prescription drug benefit under Medicare in the budget this Congress will pass tomorrow. When we have so many constituents out here who are having to choose every day between filling their prescription and paying their rent or buying their groceries, we cannot afford to ignore this problem. I have received many letters in the last few weeks from senior citizens who said, I heard a whole lot last Congress about solving this problem of prescription drugs. Some of them even write they saw television ads run by candidates for Congress, some of whom are reelected and are here in this Congress talking about taking care of our seniors. They ask, ''Why haven't y'all done anything about it?''

The answer is very simple. This Congress has not placed a proper priority on providing prescription drug coverage for our seniors under Medicare. The budget that we will vote on tomorrow is created entirely around a tax cut that leaves very little room for anything else. The Blue Dogs presented a budget to this House. We lost by a handful of votes. Our budget included a meaningful prescription drug benefit under Medicare.

Now, we all favor significant tax relief. I do not find anybody in this Congress that does not understand that tax relief is an important priority for all the American people. But we have to balance that interest and that priority with the other priorities of government. One of those should be providing prescription drug coverage for our seniors. Everybody is quick to talk about this $5.6 trillion surplus, but when we break it all down, we understand that much of that surplus has already been committed.

This Congress uniformly agrees that Medicare and Social Security trust funds should not be spent. That means almost half of that surplus cannot be spent by this Congress in either tax cuts, new spending programs, or anything else. The Blue Dogs have advocated giving a substantial portion of that surplus toward paying down our national debt, and we believe very strongly in that. But in addition to those priorities, we must have a prescription drug plan that will work that makes common sense for our senior citizens.

Adding a prescription drug benefit under Medicare would require only about 6 percent of this $5.6 trillion 10-year surplus that everybody hopes will show up around here over the next decade. It is small enough to fit within a responsible budget. It deserves more than being listed as a possibility under the 10-year budget that the Congress will pass tomorrow.

It just makes plain common sense. We must have a budget that balances our priorities, and our budget that we will vote on tomorrow does not do that. It neglects a promise that many of us made to our constituents, a promise that we would try to bring the high price of prescription drugs down and that we would provide a benefit for all seniors under Medicare.

Medicare is the roof that protects our senior citizens. It is 30 years old but it has dangerous leaks. Thirty-five years ago when Medicare was created, it did not include any coverage for prescription drugs because prescription drugs were not a big part of our health care costs. Since that time, we have had amazing advances, amazing discoveries, new prescription drugs that cure our ills.

We think it is very important to be sure that all of those remedies are available to all of the American people. The least we can do with this surplus that we are so proud of is to ensure that our senior citizens have a prescription drug benefit under Medicare. Many doctors and nurses from hospitals in my district have told me stories about the massive hospital bills that could have been prevented if the patient had merely taken the necessary prescription drugs. There is no question that providing prescription drug coverage is the right thing to do for our citizens. The only question is whether this Congress is going to stand up and face the problem or continue to put it aside and ignore it and try to deal with it at a later date.

There are some in this Congress who have hidden behind the issue of Medicare reform. They have said we are going to provide a prescription drug benefit in a Medicare reform package. Nobody, to my knowledge, knows clearly how this Medicare reform package is going to be put together nor what it is going to look like. We cannot wait for Medicare reform to deal with the problem of prescription drug coverage for our seniors.

All of us who believe in honoring our commitment to our senior citizens to providing the assistance that they need for a meaningful prescription drug plan want to do it now, not tomorrow. We have advocated a universal prescription drug benefit under Medicare that will allow any senior citizen to walk in their local pharmacy and get the prescriptions that their doctor prescribes for their ailments and to do it at a reasonable cost under a reasonable plan.

Now, it is not a plan that is without some cost to the senior citizen. It has been estimated that it may cost $25 to $30 a month in a premium for a senior citizen to have this coverage because the government, frankly, cannot afford to pay for the entire plan. But we believe that a plan that would require $25 or $30 a month from our seniors, that would take care of the first $4 or $5,000 of their prescription coverage cost, at least pay half of that and then over the $4 or $5,000 pay all of it, is a plan that makes sense for our seniors.

We can afford to do that if we are willing to commit $300 billion of this surplus over the next 10 years to doing that. They had a vote in the Senate just a few days ago when they were debating this budget. An amendment was offered that would provide $300 billion for a real prescription drug plan for seniors under Medicare. When the votes were counted, it was 50 for and 50 against with the Vice President casting the deciding no vote. Later an amendment was offered that said that we will have a prescription drug plan and set aside $300 billion of the contingency fund in this budget if we reform Medicare first, and that was adopted by one vote, the Vice President again casting the tie vote.

Those of us who know the reality of this problem for our seniors say that is not good enough, that surely in a country as generous and as compassionate as we like to claim we are, surely we can provide a basic, meaningful prescription drug benefit for our seniors under Medicare.

Now, we are not forcing this plan on anybody. It is an option under Medicare, just as your current part B Medicare is an option for your doctor coverage. So if you have got a plan that you like and you do not want to change, you do not need the coverage, do not sign up. But this plan should be available for the hundreds of thousands of seniors all across this country who are struggling today to pay for their prescription drugs.

We are fortunate to have on the floor with us tonight a Member of Congress, a fellow Blue Dog, the gentleman from Arkansas (Mr. ROSS), who is a pharmacist, who understands this problem all too well. It gives me a great deal of pleasure to yield to the gentleman from Arkansas to share his perspective on this very, very important issue.

Mr. ROSS. Madam Speaker, I might clarify one thing. I am not a pharmacist. I never was smart enough to be one. My wife is one. Together we do own a family pharmacy. I come from a small town in rural south Arkansas. It is a town called Prescott, a town of about 3,500 people. It is a town I love very much. For those Members who were raised in small towns or perhaps

still live in small towns like I do, they know what I am talking about when I say that in small towns, there are always one or two gathering places.

□ 1730

My wife and I are very fortunate that in our hometown of Prescott, the family pharmacy that we own is such a gathering place. It is a place where people come to share recent photographs of their children and grandchildren, to celebrate the good times together and, yes, to be there for one another during the difficult times.

I must say, I see way too many difficult times. Prior to being elected to the United States Congress last year, I worked in that pharmacy. This is an issue I do not just talk about. I worked with it. I saw seniors that were literally forced to choose between buying their medicine, paying their natural gas bill and buying their groceries.

Living in a small town, I would learn a week later where a senior would end up in the hospital running up a $10,000 or $20,000 Medicare bill or where a diabetic would lose a leg or spend in excess of half a million dollars of Medicare money receiving kidney dialysis before eventually dying, simply because they could not afford their medicine or could not afford to take it properly.

I do not just talk about this. I worked with it. I saw it. I can put names to the faces.

This is America, and I believe we can do better than that by our seniors. That is why I will continue to fight to modernize Medicare to include a voluntary, but guaranteed, prescription drug benefit.

Now what do I mean by that? When I say voluntary, that means if one has a plan, if they are fortunate enough to be one of the few seniors on Medicare in America who have medicine coverage from a previous employer, and they like it, they ought to be able to keep it. So it should be voluntary.

Just recently, during the spring district work period, I had a townhall meeting in conjunction with the National Committee to Preserve Social Security and Medicare in one of the more affluent counties in my 26-county district, Garland County. More than 100 seniors showed up for that townhall meeting on Social Security and Medicare, and I asked those who had medicine coverage of any kind to raise their hand. Less than 10 hands in the room went up. Then when I asked them to keep their hand up if they were confident they would be able to keep that coverage for the rest of their life, nearly every single hand in the room went down.

I come from a very rural and poor district. The average household income in my district is only $19,000 a year. It is where very few seniors have any prescription drug coverage. So it should be voluntary, but it should be guaranteed. Just like under Medicare one can go to the doctor and they can go to the hospital. This is very important to our seniors. This is an issue that I ran for the Congress on, an issue that I will not stop fighting for until we finally do truly modernize Medicare to include a prescription drug benefit that is voluntary but guaranteed just like going to the doctor, just like going to the hospital.

One of the problems we have in this country, I think, is created by the big drug manufacturers. I have bottles of medicine on the shelf of my pharmacy that cost more than I paid for a new car in 1979, and yet that same bottle is being sold in Canada and Mexico for ten cents on the dollar. We are talking about drugs that are being invented in America, oftentimes with government subsidized research. They are being made in America, and they are being shipped from America and sold for a fraction of the cost to these other countries.

So what does that mean? That means all of us in America are subsidizing the cost of health care for these other countries. I think it is time we stood up to the big drug manufacturers and said enough is enough. It is time we demanded the kind of rebates to help pay for a Medicare drug program from them that they are now dishing out left and right to the big HMOs and to our States' Medicaid programs. Now I know the debate so far in Congress has been about the budget and tax cuts, and I hope we can now move from that very important subject of the budget and tax cuts into spending some quality time making something happen that will truly modernize Medicare to include medicine for every single senior citizen in America who needs it and wants it.

Now we are hearing a lot of talk about this projected surplus, some $5 trillion. Well, it is a projection over 10 years, and it is being projected by the same bureaucrats that missed it by the tune of hundreds of billions of dollars last year. Seventy-five percent of that surplus does not even get here until 2006 through 2011, based on their projections, if they are right. Nearly half that surplus is Social Security and Medicare Trust Fund money.

When we talk about the highway trust fund we do not dare talk about counting it in the surplus. I am not advocating that we do. The highway trust fund money ought to go to improve our roads. What I am advocating is that we stop talking about Medicare and Social Security when we talk about this Nation's surplus. That is why the first bill I filed as a Member of the United States Congress was a bill to tell the politicians in Washington to keep their hands off the Social Security Trust Fund, to keep their hands off the Medicare Trust Fund.

I urge my colleagues to work together. Let us put progress over partisanship, and let us give our seniors a Medicare prescription drug benefit that means something, one that they can count on.

Mr. TURNER. Mr. Speaker, I thank my colleague, the gentleman from Arkansas (Mr. ROSS), for his remarks; and I beg his forgiveness for mentioning that he was a pharmacist. I did recall that his wife is a pharmacist, but she makes the gentleman work in the pharmacy whenever he is at home. We are glad the gentleman has the perspective that he does to share with us because it is only by being there. I had the opportunity in my district to be in several pharmacies to talk about this issue, and just as I was there talking about the issue people would come in trying to fill their prescriptions. One lady came to the gathering that was just in a local grocery store, not too far from the pharmacy counter, and she said I am glad to hear what you are saying. I did not know you were going to be here, but I was just in here yesterday and left my prescription; and I was just back at the window to pick it up, and when the pharmacist told me how much it was, I told him he would have to just keep it.

Those are the kinds of problems that seniors are having today. They are very real. They are very serious and ones we must tend to in this Congress.

Mr. Speaker, I am pleased now to yield to a fellow colleague, the gentleman from Texas (Mr. SANDLIN), another Blue Dog who has worked hard to try to provide a meaningful prescription drug benefit for our seniors.

Mr. SANDLIN. Mr. Speaker, we need to ask ourselves, who built this country? Who built this country? It was built by people that got up every morning and made a sandwich and threw it in the pail, went to work, built a product, sent their kids to school, and lived the American dream. It was built by men and women, our veterans, who traveled the world in the cause of freedom, who took the red, white and blue, the symbol of freedom, brilliant with color, signifying the American way of life. It is now time for us to honor our senior citizens. It is time to honor our veterans. It is time to keep our promise and make sure that prescription drugs are available, accessible and affordable to the American public and particularly to our senior citizens.

The cost of prescription drugs continues to escalate. I am pleased, as are many of my colleagues, to see that the White House has recognized that this is a very, very serious problem in the United States and we must do something about it. However, we need to move toward a real prescription drug benefit.

Unspecified benefits that have been sent over by the White House are not adequate, and I think we need to tell the administration that placing the Medicare surplus in jeopardy to pay for these benefits is a complete nonstarter. In this time of alleged surpluses, certainly we can address issues that are important to our senior citizens, some of our most vulnerable citizens in this country. If indeed we have a surplus, then certainly we can share that surplus with those that built this country.

If, in fact, we will continue to develop some of the finest pharmaceuticals that the world has ever seen, those pharmaceuticals have to be available to American citizens.

Pharmaceutical companies have done an excellent job in developing drugs that have increased our life span, have given us a better quality of life, have allowed us to be with our families for a longer period of time. Most drugs have been developed on the backs of the American taxpayers. Research and development dollars are deductible, as they should be. It has been shown that as research and development dollars increase, the development of beneficial drugs increase and our public benefits.

There are also Federal grants for the development of drugs. That is as it should be, and we all share in the benefits. Mr. Speaker, if these drugs are developed with American taxpayer dollars, as they are, then these drugs have to be available to American taxpayers, particularly to our senior citizens. They should not be just available to our friends in Canada. They should not be just available to our friends in Mexico. They should not be available to everyone except for the American taxpayer who helps develop these drugs.

All of us, as we travel our districts across the country, hear stories from our constituents about the availability, accessibility, and affordability of prescription drugs.

Gilmer, Texas, is a small city in my district. I was approached recently by a man who had some heart medication. He showed me the medication, made in the United States, packaged in the United States, FDA approved. That drug can be manufactured in the United States, package it, ship it to Mexico and sell it and make a profit, both for the seller and for the pharmaceutical company for ½ of what that same drug cost in Gilmer, Texas. He could get a prescription for this heart medication for 30 days for the same cost as he could get the medication for 360 days in Mexico. Now something is just not right about that.

We also did a study in my district recently that showed on average senior citizens paying 101 percent more for prescription drugs than the preferred purchaser, such as HMOs, the insurance companies. Now that is not the result only of bulk purchasing. That is the result of a systematic and targeted effort by the pharmaceutical companies to raise prices to those people who need these drugs and those people who can least afford the increase. So senior citizens in my district, and I would assume it is the same across the country, are paying twice what the HMOs pay for the same drugs, twice plus a little bit more; and that is just not fair.

One estimate shows that more than one in eight of older Americans have been forced to choose between buying food and buying medicine. That is outrageous. We have the greatest, most powerful and richest country that the world has ever seen; and to have our senior citizens choosing between rent and food and pharmaceuticals and clothing is just not right. We cannot put up with it in this country. We cannot stand idly by while senior citizens take one prescription and not the other, while they cut their pills in half, while we have spouses sharing medication and say I will take one pill one day, you take a pill the next day, or say we are going to have to live on macaroni and cheese this week because we have to get the medication.

Some are having, for example, three to four to five prescriptions; and they take two to three and not the others. That is just not right. We cannot do this in this country. We cannot ask our senior citizens who sacrificed their lives, who built this country up, who gave up opportunities to fight in wars, we cannot now ask them to suffer and allow citizens in other countries to reap the benefits of the research in this country.

Our seniors deserve better. As I said, we appreciate the fact that it has now been recognized as a serious problem by the administration, but let us keep our promises that we have already made. Let us keep Social Security inviolate and keep it off budget. Let us make sure that we keep that Medicare surplus where it is to answer the needs of Medicare. While we have a surplus, we can use the surplus money to address the needs of senior citizens for prescription drugs. We can do no less in this country. We have a moral and a legal obligation to do that.

As I have talked to my friends across the country from other districts, I have seen that this same problem exists district by district, State by State, all across this great country that we call America. It is our obligation to answer that call and to do something now, to do something immediately, to do something definitive that covers all Americans, especially all senior Americans; not targeted groups of Americans, not just Americans that are below the poverty level, not just those involved in some kind of catastrophic illness, but we should all share.

□ 1745

If the stock market is going to continue to have records, everyone should share. If we are going to continue to say we have a budget surplus in this country, everyone should share in those efforts, everyone should share in the benefits of that surplus.

So, as we move forward, we are asking for a definitive program, not just a notation in a budget, not just an indication that there is a problem, not just a statement that, well, we think that probably more than likely, under most circumstances, it looks possible that we may be able to address prescription drugs with some contingency in the budget.

We need to identify what we can do, how much it is going to cost, put it in the budget. And we need to do it. We need to answer it. We need to be definitive. Nothing else is adequate. Nothing from the White House, nothing from the Congress, nothing else is adequate, but to say, here is a need and here is how we are going to address it.

We can do it. We have 435 people in here working hard. We have 100 people in the Senate. We have knowledge about these issues. We know what the issue is, we know what the need is. Let us not play around. Let us not do smoke and mirrors. Let us not say we can do this tax cut or that tax cut or give away this money or that money before we meet our commitments to the people that made this country great.

Mr. TURNER. Mr. Speaker, I thank my colleague from Texas. I have no doubt that what this group that is on the floor tonight is seeking is a definite commitment in the budget to a prescription drug plan for seniors.

Another fellow Member of the Blue Dog Democrat Coalition here on the floor with us tonight is our friend, the gentleman from Mississippi (Mr. SHOWS.) He also shares our deep commitment to dealing with this very serious problem for our seniors. I am honored to yield to the gentleman.

Mr. SHOWS. Mr. Speaker, it is a pleasure to be here. We appreciate the opportunity to speak.

Mr. Speaker, when I was campaigning in 1998, I had traveled around the State of Mississippi a good bit. I was a highway commissioner and State senator, and the highway commissioners in Mississippi travel thousands of miles across the district. I really was not involved in national legislation at that point in time, except for Federal funds.

But when I decided to run for Congress, I really did not know what the issues were going to be out there when we were approaching this level of politics. So, as I started out, I told the people in my campaign, I said, we are going to find out what this thing is all about.

Well, after about a week and a half out there, going door-to-door, driving around every community and talking to all the people, I came back to my office and the campaign staff and I said, you know what it is about; it is medicine and health care. That is what this campaign is going to be about. It was that way in 1998, it was that way in 1999, and it was the same topic in the last election we just won.

I think what happens is, when you think about your traveling across your district and the scenario does not change, we are still having people, these grandmothers and grandfathers, our parents, aunts and uncles, that cannot afford their medicine. It was an issue then and it is an issue now, and it does not really make sense.

We all hear the stories, and the gentleman that spoke before me talked about, our office will get calls, ''We have to make the decision between paying our electric bill or buying food or buying medicine.'' Those stories,

they have got to get to you. They get to us, and I know it gets to my staff, and it really breaks your heart.

I will tell you the other people it gets to. You go to the little pharmacists in little towns in rural Mississippi and rural America, and you have to listen to them. Some of them actually give them to some of them to help them out.

Well, when we came to Washington we said we wanted to make a difference, and we did want to make a difference, and we did cosponsor the bill last year that the gentleman from Maine (Mr. ALLEN) introduced and cosponsored the bill he has now.

But you start comparing, why in the world should American citizens or the American people pay the highest prices in the world for their medicine? Certainly some of these medicines that are being discovered by the pharmaceutical companies are getting research dollars from the Federal Government, a certain percentage of them, heart medicines and some of the major medicines we need.

Yet the American citizens, for the rewarding of offering a free country, and these older folks that have a generation that helped make this country free, all of a sudden are put at a real big disadvantage, because they do not live in Mexico or Canada or Europe where they pay half-price for it.

But let us look at the price for what they are having to pay. In Mississippi, we did the survey, we surveyed 10 drugstores in my Congressional District, over the 15 counties, and I think everybody has got these same figures. Even the people who do not support our bill or our move to try to do something about prescription medicine have these same figures.

But in Mississippi, you pay $110 for Zocor; in Canada, you pay $46. Prilosec is $117, which is for ulcers, which I take, in Mississippi; it is $55 in Canada. Procardia, a heart medicine, in Mississippi, $138; in Canada, $74. Despite all the rhetoric and talk last year, we still have not got anything for the drug benefit program.

Let us think about the people that made this country free, the World War II veterans and these same parents and grandparents that went through the Depression, went through World War II and fought other major battles to make this country free, are now fighting for their own survival, their own war, and that is to buy their medicine.

I am proud of the drug companies and American pharmaceutical companies that have made this technology so available to our parents for medicine. But still what good does it do them to have the medicine if they cannot afford to buy it?

I have joined my colleagues in reintroducing the Prescription Drug Fairness for Seniors Act. It is a little different this time in the structure. They said they could not afford the other one, it would not work. So they are taking the average foreign price of our medicines from Canada, France, Germany, Italy, Japan and the United Kingdom, and we are going to average our prices by what they are selling to them for.

Let us look at one thing. If they are making a profit in the United States, and we know they are making a tremendous profit, what kind of profit are they making in these other countries and getting half-price for what we are paying for in the United States? So let us take the average foreign price. If we do this, we could save those seniors 40 percent on their medicine. It is just like cutting taxes. That is a real tax cut. It may be survival for those folks that really need it. Let us quit price discrimination on our seniors.

They say, if you do this—and this is always the argument, they say, if you do this, we will not have the money for research. Well, you know, last year when I looked these numbers up, they spent $17 billion on research, and I am glad they do, but they spent $11 billion on entertainment. They say, this is why we cannot do it. Well, if you have got to raise prices, raise prices in Mexico or raise prices in Canada.

We must also have a prescription plan under Medicare, because this could be done separately.

We must guarantee our parents, the people and grandparents who made this country free, the availability of prescription medicine. It is our duty and our obligation. I think not to let that happen would be a crime and an injustice.

Mr. TURNER. Mr. Speaker, I appreciate the gentleman joining with us this evening and advocating a meaningful, universal prescription drug benefit under Medicare. I know that the gentleman has studied this issue a long time and sees it firsthand in his Mississippi district.

I do think it is hard for the American people to understand why they are paying so much higher prices for prescription medicines than any other people around the world. The answer to that is really quite simple, because every other country around the world has some kind of restriction on the price of prescription medicine. So, compared to what they pay, we are footing the entire bill.

A lot of the drug manufacturers have weighed in on this issue of prescription drug coverage under Medicare because they fear that what may result is the American people might end up paying the same lower prices as the people all around the world are paying. Of course, that would significantly cut into their profits. But the American people deserve to know why it is that when you walk into your local pharmacy, you have to pay over twice as much for prescription drugs as you do any other place in the world.

There was a group of seniors down in Texas several months ago, and a lot of folks in Texas, a lot of them go across the border into Mexico and fill their prescriptions. We are not talking about prescription drugs that are second class. They go down there and buy the same medicine by the same manufacturer and in the same bottle they can buy it in their local pharmacy. They just get it a whole lot cheaper.

So all these seniors in Houston decided to lease a bus, and they all got in this Greyhound bus and went down to Mexico and they filled their prescriptions. When they came back, they got to calculating how much they had saved, and they figured that they could save $10,000 on a year's worth of prescriptions just by making that trip to Mexico to fill their prescriptions.

I talked to a fellow not too many months back who had a friend, who had a little single-engine plane, and he had some expensive heart medication, and his friend flew him down into interior Mexico to fill his heart medication. He saved literally thousands of dollars by making this trip, and he said if you go into the interior of Mexico, you can get an even better deal than you can at some of these pharmacies along the border.

So it is really time to do something about this problem and to be sure that our seniors get some prescription drug coverage under the Medicare program, and to be sure that all Americans are treated fairly on their prescription drug costs.

Mr. SHOWS. Well, think about the communities that have been impacted by NAFTA. They have lost jobs. The community I live in, Jeff Davis County, unemployment is 11 percent.

Now, you look at the parts of this country that are doing well, and financially these people may be making it all right; but you take these poorer communities and rural districts that have been devastated by loss of jobs, and how much revenue is lost out of these areas and how much harder it is for these people to be able to buy this expensive medicine.

And there is just something wrong with a country that has a budget surplus, and the tax cuts are fine, and some we like better than others, but what could be a truer, better tax cut, because we know the families, the children, the wage earners, are having to supplement their parents and grandparents or aunts and uncles, so it is taking money away from them.

So it is just really compounding itself when you have a married couple, or a couple that has their parents or grandparent living in the same county, and they were to get in on the job so they could help their parents or grandparents with their expenses of medicine, and now they are hurting because their job is gone. Now what is going to happen to those people?

There are so many people in this country today who, without the family's support, would absolutely die without it, would absolutely not survive. Then, to be compounded even worse, the loss of jobs in my area that have gone to other parts of the country, to Mexico, it is kind of like our berets are going to China, and now our

jobs have gone to Mexico, and now the loss of revenue; and it is just hard for these people to supplement their parents now.

Mr. TURNER. I like what you said there about a prescription drug benefit for our seniors and fair pricing for all of us would be as good as a tax cut. It is not unusual for us to run into people who are paying $400 and $500 or more a month just to fill all their prescription drugs, and when you know that we are paying twice as much as anybody else in the world for our medicines, if you had fairness in pricing, they would save $200 or $250 a month.

Goodness, I do not know any of these tax proposals that everybody is talking about that are going to give an average family $2,400 a year. So if we could provide fairness in drug pricing and a prescription drug benefit for our seniors, we would help many of them many times over what they can expect under any of our tax-cut proposals.

I am pleased that we have tonight another member of the Blue Dog Coalition with us, the gentleman from Arkansas (Mr. BERRY).

Mr. BERRY is trained as a pharmacist. He understands this problem full well, and he cochairs the Blue Dog Democrat's Task Force on Health Care. I am very pleased to have him join us on the floor tonight and to yield to him.

□ 1800

Mr. BERRY. Mr. Speaker, I thank my distinguished colleague, the gentleman from Texas, for yielding to me.

I also want to thank him for his leadership in this matter, and for his continued effort to see that not only the senior citizens in this country but also the American people are treated fairly when they go to the drugstore to buy their medicine that they have to have to stay healthy and stay alive and have a decent life.

It is an amazing thing to me that here we are, the richest, most powerful nation in the history of the world, and yet our senior citizens do not have the medicine that they need to stay healthy and stay alive, and those that are able to buy it are thrown into abject poverty many times, and forced to make a decision between food and medicine.

How many times have we come to this floor in the last 4 years, I say to my colleague from Texas, how many times have we come to this floor to talk about this?

In the last election, Republicans and Democrats, every candidate we saw, said, ''Boy, we are for it. We are going to take care of it. We are going to do everything. We are going to provide you with your medicine, and everything is going to be wonderful.''

Merle Haggard, the great country and western singer, has this wonderful song he sings called Rainbow Stew. He says, ''When a man is elected and goes through the White House doors and does what he says he will do, we will all be drinking that free bubble-up and eating that rainbow stew.'' I think it is rainbow stew time.

In Arkansas, in our folklore there, we have something called a buckeye. It looks like a nut. As far as I know, it is not good to eat and nobody eats it, and animals do not eat it.

According to the folklore, if you get a buckeye and put it in your pocket, it will ward off evil spirits and give good luck, and keep rheumatism from attacking you. I have been carrying a buckeye, but I have been giving them away, because that is the only prescription drug plan it looks like we are going to get from the Bush administration. I am giving it to as many of my senior friends as I can, and I am out of buckeyes now. I wish I had one to show it to the Members. It looks like that is going to be the prescription drug plan.

The President has already said he does not want to do anything about price. It is all right for the American people to get robbed day after day after day. Whether one is a senior or not, one is getting robbed.

Here we are, we are going to be asked tomorrow to vote for a budget that nobody has seen. The most we are going to know about it is what speculation we can get and what little bit of information we can get from the committee staff in some way or other. I do not even think some of them have seen much of it.

We are going to be asked to vote for a lot of things, particularly for some major tax cuts. Like my colleague, the gentleman from Mississippi, said a while ago, I am in favor of some of those tax cuts. But what could be a better tax cut than to see that our senior citizens are not thrown into abject poverty, or create a situation where their family has to lend great support to them to see them stay healthy, stay alive, and have what they need to have a decent life?

These are the very people that built this country into the great nation it is today. They worked hard, played by the rules. Now we are telling them, ''Well, we just really do not think we can afford to take care of you. We do not know you anymore. We gave you Medicare in 1965.''

A health care plan for seniors today without a prescription drug benefit is the equivalent of not having Medicare in 1965. It does not make any sense. It certainly does not seem like the right thing to do.

I think it is absolutely irresponsible to bring a budget to the floor tomorrow that does not provide a good, honest, straightforward prescription drug benefit for our senior citizens, and the mechanism where Americans do not have to pay twice as much or three times as much for their medicine as any other country in the world.

I would urge the majority party to think about these things before they bring that budget to the floor. Think about the commitments they made in the last election. How can they go home and face their constituents and tell them, ''Well, we are going to take care of that next year,'' or, ''We are going to figure out some way to make people think we are going to take care of it,'' knowing that these seniors created this country we have today, and yet they are being ignored by their own government.

Not only are we not providing prescription drug benefits for these seniors, we are allowing the prescription drug manufacturers of this country to rob them at the same time. It is not right, it is not fair, and every Member of this Congress should be working day and night to try to do something about it.

We should not allow this to go past Memorial Day and not do something about the fact that the American people are being terribly mistreated by the prescription drug manufacturers.

Again, I cannot begin to thank my colleague, the gentleman from Texas, for the leadership he has provided on this matter. I think we are very fortunate to have such leaders, and I consider myself privileged to work with the gentleman from Texas (Mr. TURNER), not only in the Blue Dogs, not only on prescription drug and health care matters, but also as we work through this budget, through the other issues that are going to determine whether or not we are going to have these kinds of benefits for our seniors.

Mr. Speaker, our majority leader ever since 1995 has mentioned on the floor I believe that we should let Medicare wither on the vine. This is precisely the direction we are headed in if we do not do something about not only a prescription drug benefit for Medicare, but making sure that we have adequate funding in that program to see that our seniors will have Medicare and a prescription drug benefit in years to come.

The budget we are going to be asked to vote on tomorrow will actually make that situation worse, not better. We all know that. There is expected to be a provision in there that basically robs the Medicare trust fund, takes away our ability to provide even the services that we are providing now to our seniors. I think that is absolutely irresponsible.

Mr. TURNER. Mr. Speaker, I thank the gentleman from Arkansas. I found it very interesting, his comments about the last election. That was so true. Every candidate that was running for office last November was talking about trying to provide a prescription drug benefit for our senior citizens.

I am sure there are many seniors out there tonight that wonder what happened; how could all of these Members of Congress be campaigning for office, talking about how committed they were to helping our seniors afford prescription drugs, and now nothing has happened. Very seldom do we hear any discussion of the issue, and those of us who bring it to the floor, as we are tonight, are doing so in a special order

hour, not with the opportunity to bring it before a committee that would have the opportunity to actually take some action, or bring it to this floor on a regular calendar, where we could actually vote on a program, but we are relegated to this special order evening hour, which is set aside for discussion of issues that we choose to talk about to begin to discuss once again the problem of prescription drug coverage for seniors.

I do not know if the gentleman saw any of the ads that were run during the last campaign, but I watched them carefully. It was very interesting to me to see them. I think it is important perhaps for us to talk a little bit tonight about why it is so difficult to pass a meaningful prescription drug benefit plan in this Congress when all of the Members of the Congress profess to say they are for it.

I think it is important for us to discuss a little bit what the roadblocks really are, because when it comes right down to it, there are powerful forces at work opposing our efforts to provide a prescription drug benefit under Medicare for our seniors.

The foremost opposition that we have faced comes from the pharmaceutical industry itself. I think there are a lot of our seniors out there and across America who do not understand why it is we cannot do something about this problem, but the truth is, the pharmaceutical industry has consistently opposed a prescription drug benefit under Medicare.

Some folks may say, why in the world would they do that? The gentleman knows and I know and many others in this House certainly know that the pharmaceutical industry is afraid that if we have a prescription drug benefit under Medicare, that the government will no longer pay them those exorbitantly high prices that they are currently able to charge our seniors for prescription drugs.

Is that not really about what it comes down to?

Mr. BERRY. Absolutely. Mr. Speaker, if the gentleman will yield, one of the interesting things is that analysts have looked at the situation and they indicate that our people would use a lot more medicine if they could afford it, and that it actually would not damage the pharmaceutical companies' profits at all, that they would continue to be very successful.

And we want them to be successful, but it all comes down to money. I think it is such an irresponsible thing to expect our seniors and to expect other Americans that have to take medicine to continue to pay two and three times as much for their medicine as anybody else in the world.

I happened to be in Cuba about this time last year. We were there to meet with the ministers of the Cuban government to talk about them buying food from us, and also talk about buying our medicine.

As we were beginning to conclude these talks, we said to them, ''You have said you want to buy our food, and we are pleased about that. We certainly want to sell it to you. Our farmers need the business. Our markets are in bad shape and we need your help, and you need our food. But you had not talked about medicine. Do you not want to buy our medicine?''

And they laughed a very cynical laugh and looked across the table at our delegation. They said, ''We can buy your medicine anyplace in the world cheaper than we can go buy it from you. We can buy it in Canada, Mexico, Panama, Great Britain, Argentina; just pick a place, we can buy it for one-third of what you are paying for it.''

Then they looked me right in the eye and they said, ''Why do you do that to your own people?'' I do not believe I have ever felt more inadequate than I did at that moment. I did not have an answer for them. The best answer that I could give them is, ''We are trying to change it.''

We are going to keep trying until we get it done, because it is just a matter of basic fairness.

Mr. TURNER. I certainly agree with the gentleman. I am sometimes discouraged when I try to talk to seniors in my district about this issue, because they know they are paying more for medicine than their counterparts in Mexico or Canada or anywhere else in the world, and they do not know why it is that we cannot do something about it here in the Congress, why we cannot provide a benefit under Medicare.

What I try to point out to them is what I mentioned a moment ago, and that is that the pharmaceutical manufacturers have opposed our efforts, and try to explain to them how many dollars are actually at stake for these big pharmaceutical manufacturers.

I suspect that what the gentleman just said is the truth, that if we could have prescription drugs at affordable prices, they would sell more of them and they will still make profits. But to date, they do not seem to be convinced.

In fact, in the last campaign cycle, they spent over $2 million in direct campaign contributions to try to influence this Congress not to have a prescription drug benefit under Medicare. In fact, they spent $75 million over the last session of the Congress just lobbying the Congress, trying to be sure that no bill moved through the House or Senate to provide a prescription drug benefit under Medicare.

That tells us, Mr. Speaker, that those pharmaceutical manufacturers really feel threatened by this proposal to provide a prescription drug benefit under Medicare. I guess they are kind of the last segment of health care that is not covered under the Medicare program.

I think that there is a way for reasonable people to sit down and to work out a piece of legislation that will give our seniors access to prescription drugs under Medicare, and do it in a way that our pharmaceutical manufacturers will understand that in the long term, they are going to be better off working with us than working against us.

Last year in this country nine out of the top ten drug manufacturers spent more money marketing than they spent on research and development. A lot of times these big pharmaceutical manufacturers say, ''Oh, if you make us have our drugs purchased by the government or available to our seniors under a Medicare program, we are not going to make as much money. We will not be able to do all this research and development that allows us to come up with all these miracle cures.''

□ 1815

Well, that gets your attention because the pharmaceutical manufacturers have done an excellent job coming up with new medicines for our ailments, and we want to be sure they continue to do that. But the truth is, when they spend more money on marketing than they do for research and development, that argument sort of rings hollow with me. After all, we are all familiar with the TV ads that are running all the time now telling us to go down and ask our doctor for some prescription medicine. And I am sure there are a lot of people that see those ads that go down and get the medicines. That is why they are running the ads. And that is great they now know about them, and they will go take the medicines. But the truth is, they are spending millions of dollars peddling their products to the American people at exorbitantly high prices when compared to the rest of the world.

So I think it is time to get a prescription drug benefit under Medicare. It is a voluntary plan. Everybody that wants to sign up for it can sign up for it. If they do not want to sign up for it, they do not have to sign up for it. It is going to cost not only the seniors in a monthly premium, but there is a cost that we are going to have to pay here at the Federal Government so that we can keep the premium within reach of the average senior, and that cost has been estimated to be something in the neighborhood of $300 billion. That is a lot of money. But that is only about 5 or 6 percent of this budget surplus that we are so proud of.

My colleagues would think that if we have a $5.6 trillion surplus that is going to show up here in Washington over the next 10 years, we could not only cut our taxes but we could take care of the most vulnerable segment of our society, our senior citizens, that consume the majority of the prescription drugs in this country. It seems that surely we could be compassionate enough to take care of those who are most vulnerable.

I know, as the gentleman from Arkansas knows, that the fight is not an easy one, and our fight has been long. Our fight has been hard. We have both talked about this subject since we first came to Congress over 4 years ago, and I suppose we are going to have to keep talking about it before we will ever see

it happen. I know and the gentleman knows that we can do something about it and we can put a prescription drug benefit under Medicare. I think it is really a disgrace to have a budget coming before this Congress tomorrow, the conference committee report, without having in it a clear set-aside of the money necessary to provide a meaningful prescription drug benefit for our seniors. It is going to be an empty promise in that budget; there is no doubt in my mind about that.

The Senate debated it. They had a vote on putting $300 billion or more in the budget. That vote was 50 for and 50 against, with the Vice President voting no and defeating the amendment. But we are coming close. We are getting closer, and we are going to get there; and I am just very hopeful that at some point in this session of the Congress the President and the leadership of this Congress will step forward and do the right thing, provide a meaningful press drug benefit under Medicare.

There are some here who advocate it, but they say we are going to do it after we reform Medicare. Now, I am a little unclear about reforming Medicare. I think Medicare has worked very well for our seniors. Most of the seniors that I talk to got upset when we started seeing this Congress a few years ago, before the gentleman and I arrived, change Medicare so that seniors could go through an HMO and get their Medicare coverage. They were enticing seniors to sign up with all kind of add-ons, like a little prescription drug benefit; and the first thing you know, all those HMOs decided to cancel their coverage and left literally thousands of seniors all across this country without any prescription drug coverage, which was the very reason they had signed up with an HMO in the first place.

So I do not know what Medicare reform is. Does the gentleman have a feel for what that means? I do not know. And I know the gentleman has worked on this issue, as I have. Everybody says, well, we will provide prescription drug coverage when we reform Medicare. Has anybody told the gentleman what reforming Medicare really is going to be?

Mr. BERRY. Well, if the gentleman will yield, I am afraid it is going to be that buckeye in that rainbow stew I referred to earlier.

As best I am able to determine what the plan by the party across the aisle and by the administration currently is, it is to force our seniors into a managed care plan. And the only way they will be able to get a prescription drug benefit is to accept this managed care plan as a substitute for Medicare. It will have the same result that the gentleman just referred to; it will be an insurance company effort that the insurance companies will pull out of, ask continuously for more money, and we will be spending our Federal dollars for insurance companies rather than for health care for our seniors.

Mr. TURNER. That is what I was afraid of. Our time has expired; but, Madam Speaker, I thank the gentleman from Arkansas for joining me.

DEFENSE OF AMERICA'S HOMELAND

The SPEAKER pro tempore (Mrs. CAPITO). Under the Speaker's announced policy of January 3, 2001, the gentleman from Pennsylvania (Mr. WELDON of Pennsylvania) is recognized for 60 minutes.

Mr. WELDON of Pennsylvania. Madam Speaker, I rise tonight to focus on an issue that is dominating the front page of every newspaper in America today and that is the defense of America's homeland. President Bush gave a major speech yesterday where he outlined a commitment to pursuit of a national missile defense and provide a protection for this Nation from the bully pulpit leadership that he can provide, which has not been there for the past 8 years.

Tonight I will talk about that issue in depth. I will talk about the objections that are being raised by some; why we need this kind of capability; what the current system capability is that we are developing. And I am going to respond to criticisms that this will start a new arms race.

But let me also start by saying that we have had some absolutely overwhelming success, Madam Speaker, in a program that actually you helped us put forward this year to provide support for our domestic defenders in America, our Nation's fire and EMS personnel. For the last 220-some years in America we have not done anything in Washington to support those brave men and women in 32,000 departments across this country, 1.2 million men and women, 85 percent of whom are volunteers, who protect our towns and cities.

As Madam Speaker knows, last year the defense authorization bill, and she lobbied for this as a candidate in West Virginia, and I appreciate that leadership, we in fact were able to successfully put in place a program that provides grants for these individual emergency response departments nationwide on a competitive basis. The time period for applying for the grants was 30 days, and it ended today.

Now, some said there would not be much in the way of requests because there is not much need. The preliminary results at FEMA are in. Madam Speaker, over 20,000 grant application requests were received in 30 days, and the requests will total in excess of $2 billion. There is a significant need out there for America to respond to help for our first responders, especially as it relates to homeland defense. We only have $100 million to allocate this year, but it is my hope that with the support of Members on both sides of the aisle we can continue to increase that funding availability.

Madam Speaker, my real topic tonight is to focus on the missile defense speech that President Bush presented yesterday at the National Defense University. He said that we need to change the basic parameters which we live under and deal with in our relations with Russia and other countries relative to the ABM Treaty. The ABM Treaty, which was negotiated in 1972, allows both the United States and the former Soviet Union to rely on deterrence so that neither country would attack the other for fear of retaliation.

In addition, that treaty says that each country can have one missile defense system, one ABM system. The Russians chose to deploy such a system around Moscow, which protects about 75 percent of their population. America chose not to pursue any system, because it was politically impossible in America to choose one city over another and leave the rest of America vulnerable.

Today, Madam Speaker, America is totally vulnerable. If an accidental launch occurred of one missile from Russia, from North Korea, which we know now has the long-range capability, or from China, we have no capability to respond.

Now, is that such a far-fetched idea or notion? Well, Madam Speaker, let me document for our colleagues what occurred in January of 1995. As we know, the Russians have hundreds of missile launchers, all of which can reach any city in America within 25 minutes, and all of which have nuclear warheads on top of them.

Now, there is a very sophisticated command and control system on those missiles, as there are on our missiles; but a significant number of Russia's missiles are on mobile launchers. They are called SS–25s. If my colleagues saw a photograph of one, it would look like it is on the back of a tractor-trailer truck. But that missile, even though it can be transported any place over an open road area, can travel the necessary distance to hit any city in America and devastate that city. Each of those SS–25s are controlled locally, even though they have to have the command authorization of the central Russian Government.

Let us look at what happened in January of 1995. Norway was going to launch a rocket into the atmosphere to sample weather conditions. So Norway contacted Russia and told the Russian Government not to worry when we launch this three-stage rocket; it is simply for us to gather more information about weather conditions affecting our country. Now, because Russia's military has been in a state of disarray, they have not been able to invest and reinvest in improving their conventional alert systems and their intelligence collection systems. So that when Norway launched that three-stage rocket, the Russian intelligence agencies misread it as an attack from an American nuclear submarine.

Boris Yeltsin acknowledged the week after that incident that Russia had, in fact, for one of only three times that we know of, put their entire offensive

ICBM system on alert, which meant, Madam Speaker, that Russia was within 15 minutes of launching an ICBM with a nuclear warhead against an American city. With 7 minutes left, Boris Yeltsin overruled the other two holders of what we call the black boxes, or the chegets, in the Russian command and control structure, the general in charge of their command staff and the defense minister, Paval Grachev and General Kolesnikov. With 7 minutes, left Boris Yeltsin overruled them and called off the response against an American city.

Now, Madam Speaker, for just one moment let us imagine that one of those missiles is accidentally launched, which are preprogrammed to hit a certain spot in America, and all of their missiles are preprogrammed, as ours are preprogrammed. What if that occurred and what if President Putin then realized Russia had made a grave mistake; that they accidentally allowed, either because of a lack of control of a command unit, who may have gotten the launch codes, or because of some other glitch, Russia accidentally launched one missile against America? What would the phone conversation be like between President Putin and President Bush?

Well, it might go something like this: ''President Bush, I am sorry to tell you we have made a tragic mistake. We have accidentally launched a missile against one of your cities. We did not mean to do it, but our command and control system failed.'' What would be President Bush's response? Would he then call a national press conference and tell the people of that target city that they have 25 minutes to move? Because, Madam Speaker, we have no defense today against a ballistic missile launch against America. We have no defense system in place.

For the past 6 years, Madam Speaker, I have chaired the research and development committee for national security. I have been on the security committee for 15 years. So I work these issues. The possibility of an accidental launch is not very high, but it does exist.

□ 1830

And the fact is that today America has no defense against such a launch. There is no system we can put into space, there is no plane we can send up that can shoot down an incoming ICBM at the speed it would be traveling.

The same thing occurred in 1991 when in Desert Storm Saddam Hussein decided that he wanted to harm American soldiers. He could have put a bomb on a truck, and he could have had it driven into Saudi Arabia where our troops were headquartered. But he did not do that. Saddam Hussein chose the weapon of choice, a low-complexity Scud missile with a conventional bomb on top of it and fired that missile into an American barracks in Saudi Arabia. We could not defend against that missile, much like we cannot defend against a missile that would be launched against an American city.

As a result of the launch of that Scud missile by Saddam Hussein, 28 Americans came home in body bags because we let them down. America had no system in place to defend against that kind of a missile attack, even in a small area the distance between Iraq and Saudi Arabia.

The sad part, Madam Speaker, is that 9, 10 years later we still do not have a highly effective system for missile defense to protect our troops and allies and our Nation. Part of the reason is because President Clinton and Vice President Gore consistently opposed missile defense, and consistently found ways to avoid America moving forward in developing successful and reliable systems.

So the first reason we need missile defense is to protect us against an accidental or deliberate launch. The CIA has now documented that North Korea, an unstable nation, in August of 1998 test-launched a three-stage Taepo Dong II rocket that traversed into the atmosphere. It did not complete its line of flight, but the CIA estimated if it had, it would have been able to reach American soil, the West Coast of California, parts of Alaska and parts of Hawaii.

That allowed the CIA to say publicly that North Korea has the ability to launch from its soil a long-range, three-stage missile that could deliver a light payload against an American city. That missile might not be very accurate, they might aim for Los Angeles and hit San Francisco, but if you are a resident of San Francisco, it does not matter where they aimed.

The point is, North Korea has a capability that they never had. Unlike when the ABM Treaty was developed, you only had two major countries with this kind of ability, the Soviet Union and the United States, and we could respectfully agree that neither would attempt to attack the other for fear of retaliation. Also, when the Soviet Union was in fact a coherent country prior to 1992 before the breakup, the Soviet military was well-paid and well-fed. They had discipline. They were well-respected in Russia. Today, there are severe internal problems and stability problems within the Russian military.

Therefore, because of those problems, there is a greater likelihood of a problem potentially occurring, as there is with the possibility of North Korea or China threatening a launch against the U.S.

Madam Speaker, it is not just whether or not they would launch a missile against us, because the opponents of missile defense will say, wait a minute. Does anybody really believe that North Korea is going to fire a missile against the United States? We would wipe them out. We would wipe China out. That is not the issue, Madam Speaker.

The problem is that we now know North Korea has the capability. We also know that North Korea is developing a nuclear weapon, if they do not already have one, which could be placed on a missile.

Let us take a scenario for a moment. Let us suppose that North Korea would invade South Korea, which they have talked about off and on for years. The U.S. would, because of our relationship, probably come to the aid of South Korea. And what if North Korea's leadership then, and they have certainly indicated unstable decision-making processes in the past, suppose they said to America, If you do not pull your troops out of South Korea, we are going to launch our long-range missile at one of your cities.

Now, unlike in the past, we know North Korea has that kind of very rudimentary capability. Do we then attack North Korea preemptively? Do we wipe out any capability they might have? Do we bomb their cities?

Madam Speaker, we cannot allow a rogue state to have the potential for causing problems in the decision-making process of our President and command officers because of the potential for a launch, illogical launch as it might be, against our sovereign Nation or our allies.

The idea of a missile defense system under George Bush is not what Ronald Reagan proposed, and there will be some in this country who say, there goes George Bush trying to restart the Cold War, trying to bring back Star Wars, or the Strategic Defense Initiative.

That is not what President Bush was talking about yesterday. No one is proposing that we attempt to build a shield over America that could stop Russia if they wanted to attack us with all of their missiles. That is not the idea being discussed. And most experts agree that would be technically and financially impossible to achieve. We are only talking about a limited capability, a system that would give us the ability to defend against a small number of missiles, an accidental launch or a deliberate launch of perhaps 1 to 10 missiles, that we could defend against. This does not destabilize our relationship with Russia because Russia knows full well that they could launch hundreds of missiles at America and very easily overcome the kind of system that President Bush is talking about.

For these reasons, Madam Speaker, it is important that America provide a defense for our people.

The interesting thing is that some of the opponents of missile defense have consistently opposed all research in this area. And I would say to our colleagues, as I did several years ago when we voted on H.R. 4, my missile defense bill in the House, and we pulled more Democrats with us than President Clinton did, 103 Democrats voted in favor of H.R. 4, 102 Democrats voted against it and all but two Republicans voted in favor of that bill, giving us a veto-proof margin. Our goal is to give us the capability that every nation in the world is now pursuing.

Israel is one of our key allies. Israel needs missile defense to protect her people from the missile technology that Iran, Iraq, Syria and Libya now possess. We are working with Israel helping to fund the Arrow program and the theater high-energy laser program, giving Israel a capability they did not have in Desert Storm.

The Patriot program was not designed to shoot down missiles in Desert Storm. It was a system developed by our Department of Defense to shoot down airplanes. But when we knew that Desert Storm was going to take place, and we knew that Saddam Hussein had missiles, we had to help Israel defend herself, and so we gave her a system designed to shoot down airplanes, and we asked the contractor in this country to provide a more robust engine to make that missile move more quickly.

It was not the answer, and it was not successful. Only 40 percent of the attempted launches or the successful launches of the Scud missiles by Saddam Hussein were stopped by the Patriot systems. We need to do better, and that is why for the past 10 years we have used our tax dollars in cooperation with Israel to help her build missile defense systems.

We have also helped the Europeans. We are working on a program called MEADS, the Medium Extended Air Defense System, which is a cooperative program between the United States, between Italy and Germany. The program is designed to give those countries a missile defense capability in all of Europe. We do want to cooperate with our allies. This is not just about protecting America.

In fact, we proposed the same kind of assistance to our friends in the Far East, and we have also proposed to cooperate in the same way with our Arab friends in the Middle East. The goal that President Bush laid out for the world is that we need to change the dimension. It should no longer be a policy of mutually assured destruction.

Now, to me as a teacher, it is outrageous that we would base our foreign policy with Russia on mutually assured destruction. You attack us, we will annihilate you. We attack you, you will annihilate us. That is a crazy way to have a world order, especially when you have other nations that are not in any way, shape or form anywhere near as reliable as the Soviet Union was during the Cold War, and we did not have the instability that we now have inside of Russia with the problems, internal with their military and the command and control and alerting problems that they have in reading what is happening in terms of rocket launches around the world.

So for all of these reasons, President Bush has proposed a new dynamic. I call it asymmetric deterrence, and that means that we continue to negotiate with our allies and friends and countries like Russia, and we continue to rely on deterrence as the ultimate threat to an attack on our homeland, but we now begin to allow missile defense systems.

Now, the question is, why would America pursue missile defense, it is only going to back Russia into a corner. That is not true. The fact is that Russia believes in missile defense, as does America. They believe in deterrence, as does America. The Soviet Union developed the only operational ABM system around Moscow. That system has been upgraded four times, and it still exists today.

When I have been in negotiations with my Russia friends, and I have gone to Russia 23 teams, I speak the language, I formed and I chair the Interparliamentary Commission with the Russia Duma and the Federation Council. When I travel to Moscow and meet with my Russian friends and we talk about missile defense, I candidly ask them, If you really believe in deterrence alone, take down your ABM system. Be as vulnerable as America is, and have no system and rely on deterrence.

They look at me and smile and laugh and say, You know we will never do that.

The point is that the Russians believe in missile defense. They have aggressive and very capable theater missile defense systems. They have the SA–10, the SA–12, the S–300, the S–400. They have now been trying to sell a system to both Greece and Israel called the Anti-2500 system. It is a very capable, mobile system that can be used by any Nation to defend against missile attack.

In fact, Russia's systems are comparable to systems that we are building. So it is not a case of America pursuing missile defense and embarrassing Russia because they do not have any systems; they have some of the best systems in the world available today.

Why then, Madam Speaker, would Russia not trust us? Why then would the Russian leader publicly express his concerns about the President's speech? Why would Russian leaders and European leaders express concern about moving forward with missile defense?

Let me say this, Madam Speaker. If I were a Russian today and if I had witnessed what the Clinton administration did in terms of cooperation with Russia, I would not trust America in the area of missile defense either.

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Let me give you the reasons why I say that, Madam Speaker. We have sent mixed signals to Russia for the past 10 years. The first one came in 1993. In 1992, Boris Yeltsin challenged George Bush, Sr. to work together on missile defense, to have Russian scientists and American scientists cooperate and explore ways that we could work together. George Bush, Sr. accepted that challenge. The two Presidents of the two countries involved the Ministry of Foreign Affairs in Russia with the State Department in the U.S.

Two high ranking officials were empowered by our two governments to negotiate and look at ways that we could cooperate together in missile defense in 1992. Those meetings, entitled the Ross-Mamedov talks took place on an ongoing basis. In 1993, when Bill Clinton and Al Gore came into office, they had opposed missile defense. Without consulting with the Russian government, they abruptly canceled the Ross-Mamedov talks. We sent the first signal to the Russians that we do not want to cooperate with you on missile defense. We do not want to be your partner in looking at ways to change the dynamic of our relationship.

The second signal was sent to the Russians in 1996 and 1997. We had in fact funded one joint program between our Defense Department and the Russian defense department in the missile defense area called Ramos. Ramos was designed to build two satellites, one controlled by Russia, one controlled by the U.S., identical in operation, so that each country would get the same identical information when a rocket was launched someplace on the surface of the Earth, so we would have the same alert mechanism. It also was designed to build trust between our countries in the area of missile defense. The program was supported aggressively by the Congress. In fact, as the chairman of the Research Committee, I put Ramos in as a line item in the defense budget. In 1996 and 1997 with no advance notice to the Russians nor to the Congress, the Clinton administration decided to cancel the Ramos program. When the Russians found out about this, they were livid. I got three phone calls and faxes and e-mails at my office from senior Russian leaders.

They said, ''Congressman WELDON, what is going on? We thought America wanted to work with us in finding ways to cooperate.'' I said, ''Well, that was our thought and that was our idea.'' I then called Deputy Secretary of Defense John Hamre and I called Leon Fuerth, Vice President Gore's defense adviser. I said, ''What is going on here? What you are doing by canceling this program is you are undermining confidence in Russia that we are trying to build.'' I then went over to the Senate and enlisted the support of Democrat Senator Carl LEVIN who agreed with me as the top Democrat on the Armed Services Committee in the Senate. He and I worked vigilantly with our colleagues, and we overturned the administration's decision. The program is still funded today. But the damage was done. Because for the second time, the Clinton administration told the Russians, ''We do not want to cooperate with you.''

The third time occurred in 1997. At a time when most people in the world and in this country were acknowledging that the ABM treaty had outlived its usefulness because we were no longer in a bipolar world with two countries, the Soviet Union and America. We now had other countries with

long-range missile capability, China and North Korea and Iran moving in that direction. At a time when most in this country were saying, let us provide some flexibility in the way this treaty is being interpreted, what did the Clinton administration do? They sent our U.S. negotiators to Geneva where we were in ongoing discussions with the Russians over the ABM treaty.

Instead of trying to find ways to make the ABM treaty more flexible, the Clinton administration was negotiating a tightening up of the ABM treaty, contrary to the thought of almost everyone in this country. I for the life of me could not understand what the Clinton administration was doing. When I read about these discussions with the Russians, I heard about this plan to multilateralize the treaty, bring other countries in, even though they did not have long range missiles, and I heard about this artificial demarcation, differentiating between theater and national missile defense, Madam Speaker, I did something that no other Member of Congress did.

I went to Geneva. I got the approval of our State Department, and we set up a negotiating session. The chief U.S. negotiator was on my side, Stanley Rivales and the chief Russian negotiator was sitting across from me, General Koltunov. We talked for 2½ hours about the administration's negotiations for these two ideas of tightening up the ABM treaty. So I inquired of General Koltunov, ''General, why do you in Russia want to bring more countries in as signatories to the ABM treaty?'' Only two nations were the original signatories, the Soviet Union and the U.S. Why did you pick three former Soviet states, Kazakhstan, Belarus and Ukraine, to become equal partners to the U.S. and Russia? That will make it more difficult to amend the treaty. And none of those three countries have long range missiles. They have all been returned to Russia after the breakup of the Soviet Union.

General Koltunov looked at me and he said, ''Congressman WELDON, you are asking that question of the wrong person. We didn't propose to multilateralize the treaty. The person sitting next to you did.'' Meaning that our government was trying to push the Russian government into expanding the treaty to include three former Soviet states. Why would you do that especially when none of those three countries had long range missiles, unless your purpose was to make the ABM treaty more difficult to modify?

The second question dealt with demarcation. I could not understand how we could negotiate with the Russians an artificial differentiation between a theater missile defense system for a given area and a national missile defense with longer range. So I said to the chief Russian negotiator, General Koltunov, ''General, explain to me, how did you arrive at these numbers of interceptor speed and range?'' If I am in a small country like Israel, a theater program like THAAD is a national program to Israel because it can cover their entire territory. In America, a program like THAAD would not be a national missile defense because it could not cover all of our territory. ''How did you determine the difference?''

General Koltunov told me, after thinking for a few moments, ''Well, Congressman, there were serious negotiations between our scientists and your scientists, and they arrived at these numbers.'' But he did not give me any justification. Well, I was not satisfied. I came back to the United States. We concluded those negotiations in Geneva. President Clinton sent the signal to Russia that America was supportive of tightening up the ABM treaty. So the Russians again for the third time took us at our word. But the Clinton administration knew, Madam Speaker, they could not get either of those two changes to the treaty through the U.S. Senate, even though the U.S. Constitution requires any substantive change to any treaty to be submitted to the Senate for advice and consent.

For 3 years, from 1997 to the year 2000, actually to the year 2001 because that is today, until the end of the Clinton administration, the administration failed to submit either of those two changes to the ABM treaty to the Senate as required by our Constitution so the Senate could debate them. I am convinced the reason the administration did not do that was because they knew that neither one of them would pass the Senate. They could not even get a majority of Democrats in the Senate to support those two changes. They were not in America's best interests. So for 3 years, the Russians had been convinced by Clinton that we were supportive of tightening up the ABM treaty, even though the administration knew the Senate and the American people would not support those changes.

Last May, when the Russian Duma was considering ratification of the START II treaty, a treaty which our Senate had already passed years ago, the Clinton administration, I am convinced, convinced the Russian leadership to have the Duma add those two changes to the ABM treaty onto the back of the START II treaty. Why would they do that? Because they knew the START II treaty had already been ratified by the Senate and because they knew they could not get those two ABM changes through the Senate, so they said if the Russians add them on, then the Senate will have to accept them when the treaty comes back to us for re-ratification. So when the state Duma in Russia ratified the START II treaty last spring, they added those two Geneva protocols on the START II treaty, it then came back to the U.S., and what did our Senate say? ''No way are we going to pass the START II treaty.''

So the Russians for the third time saw America going back on what they thought was our word. Three times in 8 years we sent mixed signals to Russia about missile defense. It is no wonder that the Russians do not understand what America's real intentions are in terms of missile defense. Now, they understand my intentions, because I have a good solid relationship with them. They know that I want us to be involved with Russia. The Russians know that we want to be partners with them. We want to find common ground.

In fact, the weekend before our vote on H.R. 4 which this House passed overwhelmingly, I invited Don Rumsfeld, our current defense secretary, who was chairman of the Rumsfeld Commission; Jim Woolsey, who was Bill Clinton's CIA director; and Bill Schneider, a Deputy Secretary of State, to travel with me to Moscow. I took several Members of Congress from both parties along. We went to Moscow before the vote here so that we could reassure the Russians that our intent in moving forward in missile defense was not to back the Russians into a corner. We did not see Russia as the enemy. We were not doing this to try to create an advantage over Russia. And that we wanted to work together with Russia.

Madam Speaker, I am convinced through my contact with Russian leaders that they can and will understand that America's intent on missile defense is not to create an arms race. The Russians believe in missile defense because they know the threats are real. We believe in missile defense because the threats are real. For those who say the threats are not real, I say, tell that to the families of those 28 young Americans who were buried in this country because we could not defend against that missile attack in 1991 in Saudi Arabia.

Madam Speaker, with the Russian leaders that I work with, people like Dr. Yevghenie Velakof who heads up the Kurchatov Institute understand what we are trying to accomplish. In fact Dr. Velakof and I coauthored an op-ed 3 years ago that was entitled ''From Mutually Assured Destruction to Mutually Assured Protection.'' Dr. Velakof understands what George Bush is trying to do. When Russians understand that we are serious and want them involved and that we are not playing games, they will cooperate with us.

But, Madam Speaker, I have to tell you, there is one other group in this country who is causing the feeling of instability in Russia. There is one other group in this country who will be vigorously against missile defense, who are actually causing more unrest among the Russian people than the missile defense idea itself. Who are those people, Madam Speaker? They are some of the very arms control organizations in this city that claim to be for peace, that claim to be for stable relations.

Why do I say that, Madam Speaker? Let me tell you what Yevghenie Velakof told me 2 years ago. At the

height of our bill being passed by the House and the Senate, Yevghenie Velakof came in for one of his regular meetings at my office. He brought with him a Time magazine edition, I believe it was February 25, I believe it was in 1998.

There was a two-page feature in Time magazine on missile defense. It was written about the new plan being pushed by the Congress to give America the protection that George Bush outlined yesterday. They called the plan Star Wars II, or sequel to what Reagan had done, which is a misnomer. But the idea was to lay out for the American people the idea of what we are talking about with a limited missile defense system. In one corner of that article, taking up almost one-half of one page was the chart I am going to present that I have had blown up. In a story about missile defense and how America was trying to pursue protection for our people was this chart. Let me read the top and the bottom opening sentences.

''Destroying Russia. Arms control advocates map the Pentagon's top secret plan for waging war. 1200 warheads hit 800 targets.'' This is a map of Russia. They have got locations where we supposedly have a top secret plan to destroy Russia. Across the bottom is the following statement. ''Killing zones. The vast spread of radiation will wipe out more than 20 million people in Russia.'' Dr. Velakof said to me, ''CURT, I know what your intention is with missile defense. It is to protect your people. But this is what the Russian people will see.'' They will see an article in Time magazine with a chart produced by the Natural Resources Defense Council, an arms control group, that is trying to say that our real intent is to kill 20 million Russian people.

□ 1900

That is why the Russians are concerned about missile defense. It is not because of the system. It is because of an inconsistent, incoherent, roller coaster foreign policy where three times in 8 years we sent mixed signals to Moscow on missile defense. It is because of the arms control crowd that tries to scare the Russian people into thinking that somehow our real intent is to wipe them out and dominate them. That has to be dealt with in this debate that began yesterday.

We have to put the facts on the table. Our goal is not to wipe out Russia. Our goal is not to kill 20 million Russian people. In fact, our goal is to work with Russia; it is to work NATO; it is to work with Ukraine; it is to work with Canada; with the European countries to develop something we have not had before, an ability to shoot down offensive missiles.

Mr. Speaker, over 70 nations today in the world have missiles that they control. Countries like Iran, Iraq, Syria, Libya, India, Pakistan, North Korea and a whole host of other countries all have missiles. Some have conventional weapons on them. Some have the potential to put a chemical or a biological agent on them, but they all have missiles and they all have launchers.

Mr. Speaker, today in the world over 22 nations can build missiles and are building them, and they are selling them to other nations. Missiles are out of control. We did not expect this threat to come from unstable nations for another 15 to 20 years, but over the past 10 years we have lost control of proliferation. Because of Russia's instability and because of China's lack of compliance, Russia and China have allowed technology to flow to unstable nations which then have given those nations abilities in missile technology that we did not think they would have for at least 15 years.

Let me talk about that for a moment, Mr. Speaker, because that has a direct bearing on why President Bush yesterday said we have to have missile defense now, because the threats are here today. Iran now has a Shahab III system they are working on. The Shahab IV and Shahab V, which are medium-range missile systems, can kill tons of people all throughout Europe and can hit Israel directly. We know Iraq has missiles. We know all these countries have missiles.

How did they get this technology, Mr. Speaker? Unfortunately, because of America's lack of enforcement of arms control agreements.

Two years ago, I asked the Congressional Research Service, an independent, bipartisan research arm of the Library of Congress, it is not partisan, all of our colleagues use it, I asked them to do a study for me of how many instances of arms control violations had occurred in the 1990s. I put that report in the CONGRESSIONAL RECORD last year.

The answer is that up until 1998, we had evidence that Russia and China had illegally transferred technology, much of it missile technology, to unstable nations in violation of arms control agreements 38 times; 20 times by the Chinese, 18 times by the Russians. The arms control agreements are supposed to have sanctions applied when we catch other countries in violation. Much like if we catch an American company illegally selling technology to a foreign nation that they should noting selling to, we arrest their officers. We fine them and, if necessary, we put them in jail. Thirty-eight times we caught the Russians and Chinese illegally giving technology to our enemies. Only two times out of 38 did we impose the required sanctions when we caught the Chinese transferring M–11 missiles to Pakistan, when we caught the Chinese transferring ring magnets for their nuclear program to Pakistan. The other 36 times we turned our head.

Let me give a real example, Mr. Speaker, for our colleagues to remember. I was in Moscow in January of 1996. The Washington Post had just reported in December a front page story, above the fold: ''U.S. Catches Russia Transferring Guidance Systems to Iraq.'' That was the headline. I was in Moscow, so I went to our embassy and I met with Ambassador Pickering, who most recently was the number three person in the State Department under Bill Clinton.

I said, Mr. Ambassador, what was the Russian response when you asked the Russians about the illegal transfer of technology to Iraq?

He said, Congressman WELDON, I have not asked them yet.

I said, why would you not ask them? That is a violation of the missile technology control regime, an arms control agreement between us and them and other countries.

He said that has to come from Washington. It has to come from the White House or the Secretary of State.

So I came back to America, and I wrote President Clinton a letter, a 3-page letter, asking him to respond to the allegation. In March of that year, President Clinton sent me a letter, which I still have; and in the letter he said, Congressman WELDON, I share your concern about the allegation that Russia may have transferred guidance systems to Iraq that would improve their missile systems; and I can say if it occurred and we can prove it, we will take aggressive action. But, Congressman WELDON, we do not have any evidence. Yes, we have allegations, but we cannot prove that Russia transferred guidance systems to Iraq.

So, Mr. Speaker, I brought the proof today. For the past year, Mr. Speaker, I have taken these devices around the country with me. This is an accelerometer, a very high-priced device that controls the speed of a missile. This is a gyroscope. This system locks into a satellite GPS mechanism to control the accuracy of where the missile is going. When one puts these two devices in a missile, they make that missile very accurate.

Iraq cannot build these devices. They are too sophisticated. Only the U.S., Russia and China, because they got the technology from us over the past 5 years, can build these devices. It is illegal to give these devices to unstable nations.

These devices have Soviet markings on them. These devices were clipped off of SSN–19 long-range Soviet missiles. These devices used to be in missiles in Russian submarines aimed at U.S. cities, but because of treaties, when Russia discarded these old missiles they were supposed to destroy these, but they did not do it. We caught the Russians three times transferring not one set of these devices, but over 100 set of these devices to Iraq.

What would Iraq want with them? Iraq would want them to put in their missiles like the one they sent into Desert Storm that killed 28 young Americans to make their missile more accurate. We allowed the technology to flow, and we did nothing about it.

Here is the evidence, Mr. Speaker. I cannot say where I got them, but I can

say agencies of our Government have over 100 sets of these devices. And let me say, my guess is there are probably thousands of these devices that were illegally sent from Russian entities to Iraq and Iran.

Now, do I blame the Russian Government? Not necessarily. It is caused by instability in Russia, but we in America had an obligation to enforce arms control agreements. Now, why would President Clinton not want to enforce an arms control agreement? We caught them red handed. We have the evidence.

The answer, Mr. Speaker, lies in the fact that the Clinton foreign policy for 8 years was a personal friendship between Bill Clinton and Boris Yeltsin. As long as those two people were friendly and in power, President Clinton assumed that our relationship with Russia would be stable.

Now, Mr. Speaker, I wanted Yeltsin to succeed as much as President Clinton; but our goal in Russia should not have been to support a man. It should have been to support institutions: the institution of the presidency, whoever that might be; the institution of a free parliament and Duma, whoever they might elect; the institution of a legal system, of an economic framework.

We should have been supporting institutions of democracy as opposed to a personality, because as Boris Yeltsin lost the vigor that he first brought to his job, he began to surround himself with corrupt individuals. In fact, he named the oligarchs that ended up running Russia's banks. These Russian oligarchs, many of whom were crooks and thieves, were ending up taking billions of dollars of foreign money, IMF and World Bank money, that was supposed to help the Russians rebuild their economy, rebuild their schools, their roads and their communities. But instead, the friends of Boris who controlled the economic institutions in Russia diverted that money to illegal operations, to Swiss bank accounts, to U.S. real estate investments. In fact, our Justice Department issued indictments against five Bank of New York officials just 2 years ago.

The allegation is that they were involved in corruption with Boris Yeltsin's friends in diverting up to $5 billion of money that was supposed to help the Russian people.

What did we do? We went like this and like this. Just as we did with the arms control violations, we pretended we did not see them. We pretended we did not have evidence. We knew 5 years ago that there were corrupt Russians working with corrupt Americans, stealing money to benefit the Russian people. Do we wonder why now the Russian people do not trust our intentions?

When Yeltsin was about to leave office, his popularity in Moscow was 2 percent. Ninety-eight percent of the Russian people felt he was corrupt and had become a drunk, but there we were still supporting Boris Yeltsin. We wonder why the Russian people do not trust our intentions. If I were a Russian then, I would not trust our intentions either. We blew it to some extent, Mr. Speaker.

The visual image Americans had in 1992 was Boris Yeltsin standing on a tank outside the Russian White House, openly defying Communism, 20,000 people around him. As he stood on the tank and said Communism is dead, the Soviet Union is over, we are in a new strategic alliance, Russia and America together, that was 1992. 1999, what was the visual picture on CNN in the fall of 1999? Ten thousand, 15,000 young Russians outside the Embassy of the United States in Moscow, clogging the street, throwing paint at our embassy, firing handguns at our embassy and burning the American flag, because we had been supporting corrupt institutions and people in Russia. We had been denying reality, and the Russian people lost faith and confidence in what America was really all about.

In fact, it was about that time I had a Russian Duma member over here. He did a national press conference and this is what he said to the American people on national TV. He said, you know, the Soviet Communist Party spent tens of billions of dollars over 70 years to convince the Russian people that America was evil and Americans were evil, and they failed. Your government has managed to do in a few short years and months what the Russian Soviet Communist Party could not achieve in 70 years.

The last formal request of Boris Yeltsin, before he left office for his hand-picked successor, was a commitment he received from President Putin to pardon him and his family. The first official action of President Putin, when he took office, was to pardon Boris Yeltsin and his family, including his daughter Tatyana, from crimes committed against the Russian people, that America knew about and pretended we did not see. That is why the Russians do not trust our intentions.

The biggest challenge for President Bush is rebuilding the trust of the Russian people and its leadership that America wants to be a stable trading partner with Russia. We will not tolerate proliferation. We will not tolerate giving foreign unstable nations illegal technology, but we want Russia to succeed. We want to help them create a mortgage program for their people, which is my number one priority. We want to help their defense industry get back on its feet and produce other products. We want to engage their military with our military. We want to help them solve the problem of nuclear contamination in the Arctic, a big issue for the Russians. We want to help Russia succeed and become a trading partner of the U.S.

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Missile defense is not the reason that Russia is concerned, it is the lack of trust and confidence in what America really wants that has the Russian leadership and the Russian people concerned.

Mr. Speaker, we need to move forward with missile defense in cooperation with the Russians and the rest of the peace-loving people in the world. I cannot, for the life of me, as a teacher, understand how those in this country still want to rely on offensive weapons to kill each other, as opposed to defensive weapons to protect our people. That does not make sense to me.

We can achieve what President Bush wants.

Now, it is a tough task, because you are talking about hitting a bullet with a bullet, stopping a projectile in the atmosphere that is moving very quickly, and stopping it with another bullet. And you cannot hit that projectile when it is on the way down or it will rain terror on the people in that country, in this case our people.

That happened in Israel when those Scud missiles kept landing. Even though the Patriot system may have hit it, the debris kept coming down on the Israeli people. We need technology, as President Bush rightly outlined, to hit the missile in the ascent phase, as it is on the way up. It is called boost-phase intercept. The reason why that is important is, you knock that missile out on the way up, and the only people harmed are the people who launched the missile against someone else.

What President Bush is saying is, we need to develop a new capability, using technology with our allies, to give us that kind of protection; and he has proposed for the first time in the last 10 years that he will use the bully pulpit to move the technology forward.

Are we prepared today? No. There still is additional testing. Have we had success? Absolutely. Out of 31 attempts, we have been successful in over half of them. Our THAAD program has had intercepts, successful ones. Our PAC–3 program has had five successful intercepts. Our National Missile Defense program has had one successful intercept. We know the technology is achievable. It is an engineering problem to integrate the systems, and that is the challenge that we have to help the President overcome.

I am convinced, Mr. Speaker, that those of our colleagues in this body and the other body who supported missile defense last year and the year before will again come back and support President Bush. This is not a partisan issue. The battle for missile defense in America was not a Republican battle; it was won by a bipartisan effort with Democrats and Republicans coming together, understanding that threats were emerging quicker than we thought they would emerge.

We need to work together to give the President the kind of support he has outlined in his vision for a new world order, one where we focus cooperative efforts together. The Europeans can cooperate with us, as they are already doing. In fact, I am hoping right now to establish a meeting, an unofficial

meeting, in one of the Arab countries, where I will plan to invite the Israelis and the Russians to sit down and have a conversation about how we can jointly pursue missile defense cooperation in the Middle East, with Jews and allies working together, with Americans and Russians.

On Friday of this week, Mr. Speaker, I will travel to New York City, where I will give a major foreign policy speech at the World Russian Forum, and I will tell the leaders of Russia, I will tell the business leaders in Russia, that we want to work together, George Bush wants Russia to be our friend and partner. There is no reason why we cannot achieve that.

I will then come back to Washington and next week will sponsor with the Free Congress Foundation, with Paul Weyrich, a bipartisan conference on the Hill with Russian leaders. The chairman of the International Affairs Committee for the Russian Duma, Dmitrii Rogozin, will be here, and he and I and others will come together and talk about cooperation. We will then travel to Moscow and we will have a conference in Moscow on missile defense cooperation. We will work together to find common ground, to build confidence among both countries to move forward together.

We need to put away the arguments and the petty wars of the Cold War era. Relying on mutually assured destruction is not the answer. Working together for peaceful protection of our friends, our allies and our neighbors, is the solution of the 21st century. That is what George Bush outlined for us yesterday. He is on the right track. He did not say we have all the answers, because we do not, but he did say, together, there is nothing we cannot accomplish.

I was a young kid in school when John Kennedy made a very famous speech in 1960. He said ''I challenge America to land a man on the moon within this decade.'' I can tell you, people laughed at him. They thought, this guy is crazy. Here is President Kennedy saying we are going to land on the moon? We cannot even get our planes to fly totally safe in the atmosphere. How are we going to land on the moon? He challenged America to land on the moon, to explore outer space technology.

You know what happened, Mr. Speaker. Nine years later, in July of 1969, we landed the first human being on the moon. It was an historic event that showed that America can accomplish anything.

There are those who will say, there are a few of them, who will say this is not technologically possible. Mr. Speaker, that is hogwash. In fact, to counter those, we have put together a task force of professors. None of the professors we have on this ad hoc committee are working for any contractor. They are all professors.

I am going to be inviting all of my colleagues in Congress to ask those professors, one at a time or as a group, to come into your offices. They are not doing any contract work with defense contractors. They are not on the Pentagon's payroll. They are from universities, like Texas A&M, like some of our major engineering schools, who understand the physics is achievable.

They will be available as we begin this debate to counter those who will simply try to use their doctorate titles to convince us that somehow we cannot accomplish this.

I asked the head of the Boeing program in a hearing last year, a fellow by the name of Dr. Teller, how difficult it was to achieve the result of missile defense for America and its people. He said, ''Congressman WELDON, I have been assigned to this all my life.'' He said managing the Space Station was a tougher challenge than building missile defense.

Together, Republicans and Democrats, allies and our own people, we can create a new world, a safe world, where all of our people can be protected from what happened to those 28 Americans in 1991.

PAKISTAN: DEMOCRACY AND POLITICAL RIGHTS, A STATE OF SHAME

The SPEAKER pro tempore (Mr. CARTER). Under a previous order of the House, the gentleman from New Jersey (Mr. PALLONE) is recognized for 5 minutes.

Mr. PALLONE. Mr. Speaker, Mr. Speaker, I come to the House floor today to denounce the Pakistan Ruling Army's dictatorial and wholly unacceptable treatment of nonviolent political activists as they assembled yesterday to demand a return to democracy.

May 1, International Labor Day, has historically been a day when rights of those unrepresented and under-represented have been fought for around the world. The political workers and activists of Pakistan had announced May 1 as their day of peaceful assemblage, asking for return to civilian government. General Musharraf, the chief executive of the country, has completely clamped down on the very basic civilian right of the people to assemble. In his own words, ''Once we have said there will be no political activity, there will be no political activity.''

General Musharraf has called these protestors and democracy fighters ''useless politicians.'' This reign of terror by the army has to be stopped, Mr. Speaker, and we must denounce it in no uncertain terms.

Mr. Speaker, Pakistan is taking a wrong path. Since the October 1999 coup d'etat in Pakistan, the army government has flagrantly violated basic civil rights of the people. The state of the press is severely threatened. Journalists are routinely harassed and their offices ransacked regularly. The constitution has been abolished.

The erstwhile political parties of Pakistan have been demanding a return to democracy ever since the October 1999 coup d'etat by the military. The Musharraf government has outlawed public rallies of any kind ever since President Clinton's visit to the region in March of 2000. In addition, this government has become increasingly hostile and has created a security threat to the United States and the South Asia region by supporting the Taliban and the Osama Bin Laden network logistically, figuratively, financially and otherwise.

In the most recent U.S. State Department's annual report on global terrorism, which was released Monday, Secretary of State Colin Powell stated that Pakistan's military government, headed by General Pervez Musharraf, has continued previous Pakistani government support for several groups responsible for attacks on civilians in Kashmir. The report also states that the Harkat ul-Mujahideen, the HUM, a designated foreign terrorist organization, continues to be active in Pakistan without discouragement by the Government of Pakistan.

Mr. Speaker, this Congress and its members, as proponents of democracy, have an overarching moral obligation to show solidarity with each struggle for democracy around the world. Expressing shock, the Pakistan People's Party senior representative Khohru said, ''They,'' the army, ''have totally clamped down. We are trying to march but obviously every place is a jail. The whole city is under siege.''

Mr. Speaker, if I could say, we must not let political repression go by unnoticed. We must go on record publicly expressing the strong opposition of the United States Congress to the military coup in Pakistan and call for a civilian democratically elected government to be returned to power in Pakistan.

FIGHTING THE HIV-AID PANDEMIC

The SPEAKER pro tempore. Under the Speaker's announced policy of January 3, 2001, the gentlewoman from North Carolina (Mrs. CLAYTON) is recognized for 60 minutes.

Mrs. CLAYTON. Mr. Speaker, I join with my colleagues today to talk about an issue that is causing great human devastation internationally and that continues to be a major health and quality-of-life problem domestically.

The HIV-AIDS pandemic that now we refer to has deeply impacted the African continent, particularly sub-Saharan Africa. Sub-Saharan Africa has been far more severely affected by AIDS than any other part of the world. In 16 countries, all in sub-Saharan Africa, more than one in ten adults is infected with the HIV virus, affecting some 25 million people.

According to the joint United Nations program on HIV and AIDS, three-fourths of all deaths caused by AIDS are in sub-Saharan Africa since the beginning of the epidemic. It is estimated that one-half or more of all 15-year-old children may eventually die of AIDS in

some of the worst affected countries, such as Zambia, South Africa and Botswana, unless, unless, the risk of contracting the disease is sharply reduced.

Of the 34 million HIV-AIDS cases in the world, 24 million, or 70 percent, are in Africa. In Zambia, 20 percent of the adult population is infected with HIV-AIDS. As a result of HIV-AIDS virus, 650,000 children may have been orphaned, and 99,000 Zambians died in 1999.

Zambia is centrally located among the sub-Saharan Africa nations, bordered by eight different countries. There is a growing effort to develop international disease-prevention intervention in Zambia because of its location and its diverse African culture and language group. I am encouraged that Duke University Medical School, along with other pioneers, including the University of Alabama, are developing an HIV-AIDS intervention program in Zambia.

Not only in Africa, but around the world, including Russia, China and India, the HIV pandemic continues to grow. There were 5.3 million new HIV infections worldwide during the year 2000, and 3 million people died as a result of AIDS, more annual deaths than ever before.

I recently visited Botswana to see up close the destruction this disease has caused. Approximately 35 percent of Botswana's adult population is infected with HIV. AIDS has cut the life expectancy in Botswana by nearly 30 years. It has resulted in the death of so many people who otherwise would be in the prime of their life.

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The visit strengthened my conviction to do my part in bringing awareness to this institution, and to work with my colleagues in Congress, the national government, States, the local government, health and human rights activists around the world, to do more for the people who have the virus and to do more to prevent the spread of the disease.

We need to establish a partnership. We have heard of the African saying, ''It takes a village to raise a child.'' It will take a global village to adequately address the AIDS pandemic.

While sub-Saharan Africa is disproportionately affected by the virus, it is by no means limited to Africa. As stated earlier, this truly is a global epidemic that has moved to be a pandemic.

I was encouraged by the government of Botswana's response to the crisis in that country. This is truly an issue that remains a top priority with the President of that country. The government of Botswana has formed partnerships in an effort to help its citizens with the treatment and prevention of HIV-AIDS.

The government is in partnership with the Bill and Melinda Gates Foundation to help set up youth centers that offer youth counseling services, and with the Ted Turner Foundation to provide programs and services to urban youth.

They are also in the planning stage of partnering with the Gates Foundation and Merck to also bring about needed resources and medical care to fight the crisis. There still, however, is a great need to establish the health care infrastructure with trained health care providers to administer the medication or vaccine if this partnership is to have great impact.

Soon after I returned from Botswana, I sponsored an HIV/AIDS round table discussion in my district that consisted of public health officials, community activists, HIV-AIDS case management, community health providers, and individuals suffering from HIV/AIDS. This round table was sponsored because my district in eastern North Carolina has an increased incidence of HIV. Eastern North Carolina accounts for 30 percent of the State HIV disease reported recently, while only accounting for 12 percent of the North Carolina population. In my district, there are far more female HIV/AIDS cases as compared to the State average, and African Americans make up 87 percent of the new disease reported in my district. Clearly, this is an issue that is affecting us both domestically and internationally.

I will stop now and yield to my colleague, the gentleman from Illinois (Mr. RUSH), who also had an opportunity to visit Africa. He has been very active on the issue of AIDS. I am glad he is joining me in this special order.

Mr. RUSH. Mr. Speaker, I thank the gentlewoman for yielding to me.

Mr. Speaker, first of all, I want to commend my colleague, the gentlewoman from North Carolina, for this special order. It certainly shows her sensitivity, her commitment, and it shows that she is indeed the type of person who, throughout her tenure in the Congress and since I have known her, has taken the lead on issues that affect not only the citizens of this Nation but citizens all across the world. I commend her for this special order.

Mr. Speaker, it is with great pride that I stand before this Chamber today to congratulate the South African people on their victory to obtain access to anti-AIDS drugs and other medicines at lower costs. AIDS activists, the South African government, and international organizations deserve a round of applause for their efforts.

Also, I want to thank the 39 pharmaceutical companies for placing humanitarian concerns over profits by dropping their suit against the South African law and government.

However, before we celebrate this victory in the war against HIV-AIDS, we must pause and take stock of how far we still have to go. HIV-AIDS is truly a ruthless enemy of humanity. More than 25 million Africans are now living with HIV, and last year alone, 2.4 million Africans died from the HIV/AIDS disease.

HIV/AIDS shows no sign of relenting. It is estimated that each day 16,000 more people become infected. Mr. Speaker, to put this tragedy into context, many companies in South Africa are forced to hire two employees for every single available position because mortality rates are so high.

Even with the substantial discounts in the drug prices that the South African law garners, antiretroviral drugs will still cost around $300 per year. Also, many regions of Africa do not have the resources necessary to distribute or administer these complicated medications.

Rather, it must be made clear that these drugs, while desperately needed, treat HIV/AIDS and do not halt the spread of the disease. We must make prevention a priority if we are to win the war against HIV/AIDS. This includes seeking a vaccine, distributing drugs that prevent transmission of AIDS from mother to child, and intensive educational efforts on how HIV/AIDS is contracted.

Most importantly, more must be done to empower and assist women in poor countries. Women in poor countries now are the fastest-growing HIV-positive population.

I want to commend the administration for its focus on the international fight against HIV/AIDS. The collaboration between Secretary of State Colin Powell and Health and Human Services Secretary Tommy Thompson to create a Marshall Plan to cope with the international HIV/AIDS crisis is, indeed, commendable.

However, just like any other infectious disease outbreak, HIV/AIDS knows no border or countries. While we must focus on the international spread of HIV/AIDS, as my colleague indicated earlier, we cannot forsake efforts domestically.

The President's budget takes a step backwards in the fight against HIV/AIDS domestically by freezing the Ryan White AIDS program funding. If we are to win the war against HIV/AIDS, we must expand our efforts, both domestically and abroad. Only then can we have a victory against this awesome enemy.

Mrs. CLAYTON. Mr. Speaker, I want to thank the gentleman from Illinois for his thoughtful statement. He is right to commend the government of South Africa, as well as the pharmaceutical companies, in their withdrawing and the successful conclusion of the case that was against South Africa, because indeed, South Africa did not need that suit, and the people could not afford that.

I also think it is a victory for the pharmaceutical companies that they saw the value of withdrawing the suit and trying to find ways of reducing the cost of their drugs, and understood the plight, that people were trying to import affordable drugs because they did not have the money. But even as they reduce it, there will be millions of people who just do not have enough money.

So the gentleman is absolutely right in that. I want to applaud the gentleman for saying that we must make prevention, prevention, the key in our fight against AIDS. There is no cure for AIDS, but there is prevention from getting HIV. We can prevent that. There are ways to do that. We need to find ways to do it.

I also agree with the gentleman, we cannot go backwards domestically in our fight. The budget that the administration, the Bush administration, has put forward certainly does not support his commitment to be very strong on AIDS. I applaud him, too, in terms of making AIDS an issue internationally, but also the budget needs to reflect and be supportive of that.

Again, I thank the gentleman for his leadership.

Mr. RUSH. I just want to say to my colleague, she is an inspiration in terms of the type of leadership she provides on this issue. As the gentlewoman knows, I also had the privilege of visiting Africa over this last month and was able to see firsthand the situation.

Mrs. CLAYTON. What are some of the countries the gentleman went to?

Mr. RUSH. We went to South Africa, Kenya, Nigeria, and North Africa; a North African country, Tunisia. But in South Africa, it was driven home most graphically the effects of this problem of HIV/AIDS and how it affects the children. A lot of folk do not realize that in South Africa, one of every three public school teachers is affected with AIDS. That means that the future of South Africa is definitely threatened by this dreaded disease.

Mrs. CLAYTON. That is an interesting observation. I was reading something on the United Nations report. Poverty and HIV are related. AIDS is not a disease of poverty, but they become intertwined and connected because having AIDS moves one to the point where poverty will be the case.

In fact, they said in this report that actually the more mobile, the more intelligent, and more educated person, those who had great access to move around and resources to facilitate that, they were the ones getting the AIDS. So the teachers comment would be right in line with that statement. That is the future of that continent.

Mr. RUSH. Really, one of the most salient examples is right here in this Nation. When HIV/AIDS first became known, it was not poor people who had it, it was educated people who were ignorant of not only the disease, but how to prevent the disease.

Therefore, I agree, it is not a disease that strikes just those who are poor, it is those who are ignorant in terms of how the disease is contracted and those who have very little means to combat the disease, and also those who are unaware how to prevent the disease. It is a disease of ignorance more so than a disease of poverty.

Part of what we have to do in our community, for the gentlewoman's recommendations, comments, and statements, we have to educate people about how to prevent the disease of HIV/AIDS, and how to conduct themselves in a manner that will not allow them to fall victim to the disease.

Mrs. CLAYTON. I do not know in the gentleman's area, but I am looking at health statistics and I am seeing an increase in sexually-transmitted diseases domestically. We see syphilis, other transmissible disease, things we thought were long cured or no longer existing. This is emerging again. Again, there is just a lack of vigilance in health standards or in protected hygiene, and in protected sex of adults, as well.

Now, we are seeing not necessarily that one causes the other, but the vulnerability that one puts oneself in and one's body when they have a sexually-transmitted disease, it breaks down the immunity so the likelihood that one would be susceptible to HIV/AIDS is increased greatly.

So we are having to almost educate people we thought knew these things and remind them that that is here. Certainly we have an education and prevention challenge, also, internationally.

The gentleman is absolutely right, I think prevention is indeed the answer. That is why it makes it so troubling that the Ryan White funds are being reduced or flattened, because that is the outreach. We can prevent, we cannot cure. I think we ought to invest in research, and I commend that, but we do not have to do it either/or, we can do both. Why spend so much money in trying to treat a disease that we cannot cure when we have also the option to prevent the disease?

So we need to take care of those who are affected, but we certainly need to be wise and prudent in investing in prevention. I thank the gentleman for emphasizing that part.

Mr. RUSH. I just want to add that in my district and in my State, sexually-transmitted diseases are also on the rise. I certainly share the gentlewoman's comments. Syphilis, gonorrhea, all those diseases that we thought had been abolished, eliminated, they are on the rise, and primarily because information is not getting out to the people. Information is not getting out to them in the way that they communicate. There is no popular ad campaign dealing with this issue.

We can see advertisements all across the television and the radio about every other thing except how to prevent HIV/AIDS. This is a real serious epidemic, pandemic, as the gentlewoman indicated, across the world, but it is an epidemic, and almost a pandemic in certain communities here in this Nation.

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And the awareness is not there. The commitment is not there.

I believe that the President needs to be reminded that he is sending two different types of messages here. They are contradictory. If the Secretary of HHS and the Secretary of State are developing a Marshall Plan for AIDS internationally, and at the same time he is withdrawing resources, vitally needed resources, dollars from the Ryan White program here in America, well, then, that sends a contradictory message. And he has to be clear. We need one voice, one approach to dealing not only with AIDS internationally but also to deal with the epidemic of AIDS right here at home.

Again, I want to thank my colleague for her outstanding leadership on this particular issue.

Mrs. CLAYTON. Well, I want to thank the gentleman for his leadership, because I know he has been very active in his community. I know a wonderful AIDS initiative the gentleman has in Chicago, the coordinated effort with all the medical schools working. I think it is probably one of the finest there is in the country in terms of that effort. So I thank the gentleman for his leadership.

We have been joined, Mr. Speaker, by the gentlewoman from California (Ms. MILLENDER-MCDONALD), who is very, very much engaged in this and has been engaged in it for a number of years. Her particular emphasis recently has also been with respect to women, but I know she is interested in all of it. I thank her for joining us.

Ms. MILLENDER-MCDONALD. I thank the gentlewoman from North Carolina, especially for her leadership on this. I can say unequivocally, though, that every member of the Congressional Black Caucus has made this a centerpiece, a priority, in this Congress as well as Congresses before and Congresses to come, because this is a very critical issue. And it is so timely today given that just last Saturday I had my fifth annual Minority Women and Children's AIDS Walk.

Mrs. CLAYTON. We did not give the gentlewoman any peanuts this year. I usually give her peanuts every year to make sure they have energy when they make this great march.

Ms. MILLENDER-MCDONALD. Yes, the gentlewoman did give me peanuts. I had them from North Carolina. They were there, and we had them in the stuffed bags along with those from Alabama and Georgia.

But the one thing that we are happy to say is that that has now presented us proceeds of over $600,000 that we are giving to different health facilities to treat persons, especially women and children, with this very deadly disease.

It was years ago that someone told me about this disease; and I thought, well, I am in the State legislature, trying to pass laws, and I really do not have time for this. But it was not until that next year or so that someone brought me the facts, brought me the data; and that is when I said, no, that is not their problem, it is our problem and, more importantly, it is my problem to look at.

We know that HIV/AIDS continues to devastate women throughout the world, and nowhere is it more overwhelming than on the African continent. As news reports tell us daily, AIDS in Africa has reached crisis proportions. In fact, it is a pandemic. Two-thirds of the world's 33 million AIDS-infected victims live on the African continent. Tragically, the epicenter of this disease is among African women, with profound effects on their children. More than nine-tenths of 8 million children were orphaned by AIDS last year, and those kids were in Africa.

So when we ask ourselves, what can we do? Simply go around and have an outreach program, an education program on this devastation. No one needs to wait for groups like mine, the AIDS walk, or anyone else. Simply just go to your churches and your organizations and your schools encouraging folks to remain abstinent, because we cannot continue to see the devastation that is affecting our children and this deadly disease that is permeating communities of color.

I have a bill that is called the Mother-to-Child Transmission bill which speaks of the drug therapy Nevirapine. Because if that drug is given to the mother, the child will not come out of the womb of the mother with this deadly disease. And programs like that new and inexpensive drug treatment that help prevent mother-to-child transmission need to be employed in Africa. This is what I am concentrating on at this point, trying to see whether we can get pharmaceutical companies to invest in Nevirapine on the continent of Africa. And not only that but in India, China, Eastern Europe and Central America. All of those areas we have found now have a very alarming percentage of women and children who have been affected and contracted this deadly disease.

Governments, corporations, nongovernmental organizations must coordinate their strengths and their projects in addressing major problem areas, including the critical absence of adequate infrastructure throughout the continent. I heard the gentlewoman from North Carolina (Mrs. CLAYTON) speak about that just a moment ago, because there has to be the infrastructure to deal and to help those who have been afflicted with this deadly disease. Ofttimes those who are in villages and tribes and other places do not have the adequate infrastructure. It is very important that we have and we look for funding to expand and to bring about the infrastructure that is needed, especially in Africa and in India.

Local capacity must be developed through education of the masses, the search for a vaccine must be accelerated, and access to medicine must be expanded as well. I again call on this administration to include $150 million in its fiscal year 2002 budget for the World Bank AIDS Trust Fund.

I was told just a month ago, and now in looking at the budget, that the Ryan White Act program has been cut. We can ill afford to do that. We must try to find some methodology by which we can include funds for this dreadful deadly disease. The President has spoken in very sensitive and very caring terms about persons afflicted with HIV/AIDS. We are asking now that we have that so that we can expand the outreach, expand the medicine, the therapy, and expand the education for this deadly disease.

The landmark public-private partnership that was authored under the Global AIDS and Tuberculosis Relief Act of 2000 is designed to leverage contributions with additional resources from the international donor community as well as from the private sector. We all know that money alone, though, Mr. Speaker, will not solve this problem; but it is a vital part of the solution. These funds are necessary to implement HIV/AIDS best practices in countries hardest hit by HIV/AIDS.

While the HIV/AIDS disease continues to devastate humanity and the human element, and finding a cure seems far into the future, we cannot afford to give up. I will continue to fight and devote my time and energy to finding solutions to the myriad difficulties surrounding the treatment and fight against AIDS. I call on all of my colleagues to support local and international efforts to fight this deadly disease at home and abroad.

Again, my colleague, the gentlewoman from North Carolina (Mrs. CLAYTON), I thank so much for her tenacity, for her leadership and for her ongoing support of all of the efforts we have put on this floor through legislation to try to find a cure for this.

Mrs. CLAYTON. Well, I thank the gentlewoman for her leadership and for her statement; and I also thank her for bringing us up to date on her successful tradition and raising funds to combat and bring awareness to the whole issue of HIV/AIDS. And the gentlewoman is right to bring the attention to women and how it disproportionately affects women, not only in this country but in Africa.

I think the gentlewoman is also right to bring the attention that we need to have more funds in order to do the work. We have been very fortunate in this country in the sense that it has not spread as fast, but because we have had efforts like those of the gentlewoman and others across the country, and because this Congress has been committed to it too. So we certainly do not want to go back. We are moving in the right direction to try to find both the appropriate care and medication, but we also want to try to provide prevention in all the communities. And to the extent that we pull that out, we will lose so much in that battle.

Ms. MILLENDER-McDONALD. And may I please add that women now over 50 we are finding by data, mostly African American women, are contracting this HIV/AIDS. And it is so devastating because they are fearful of disclosure, because their ministers will find out and family members. And it is a very hard thing when we talk with the women who are over 50 who have now contracted this. So it is not just the young women, the young men; it is the older women as well.

So we do have quite a battle, but I know with the help of the gentlewoman from North Carolina, and the help of this Congress, which the gentlewoman is right, there is not a Member who has not been sensitive to this issue, we will continue to do both.

Mrs. CLAYTON. We are simply trying to raise their sensitivity with this. I just think people of good conscience cannot look at the epidemic and turn away. If you do, it says just volumes about where you are not, not where you are.

Ms. MILLENDER-McDONALD. Like you said, I tried to put my head in the sand, but that head was lifted rather quickly when I saw the data that was presented to me. So I do not think anyone can really shy away from it.

Mrs. CLAYTON. Again, I want to thank the gentlewoman for her contribution.

Mr. Speaker, given the loss of lives AIDS has caused internationally, the destruction of entire communities, and the long-term impact of economic growth, we should strengthen our commitment and effort to fight the devastating disease. With children dying at the age of 15 or younger, with the life expectancy of only 45 years for children born in many countries now in the latter part of the 1900s and 2000 in Africa, clearly this is a human tragedy, an epidemic unknown to mankind and current civilization. To ignore the problem is to our peril. To know the impact of AIDS and to ignore it is indeed to our shame.

Secretary Colin Powell has stated that HIV/AIDS is a national-international security issue that the Bush administration plans to address, and I applaud them for that effort. I also applaud the pharmaceutical industry for dropping its lawsuit. We heard one of our colleagues talking about that earlier, the gentleman from Illinois (Mr. RUSH), and to prevent the South African Government from importing cheaper anti-AIDS drugs and other medicines to respond to those who have the virus. Now we must increase the effort to provide affordable, and the emphasis is on affordable for Africa and affordable for those living in developing countries, affordable anti-AIDS drugs to all who need them.

I challenge the pharmaceutical industry, countries worldwide, and the United States to engage in a collective effort to make available affordable necessary drugs to people affected by HIV and AIDS. It is important to form these partnerships, because even if cheaper drugs are purchased by countries, they still are out of reach for far too many. According to a recent Washington Post article entitled ''A War Chest to Fight AIDS,'' dramatic reductions in price for anti-retroviral drugs

are key to treatment; but the cost would be now $400 or $500 per person, some 10,000, which is a great reduction, but there are many people, many people that do not make $400 per year and could not afford that.

The United States must respond to this need by allocating more dollars than proposed by the Bush administration in their current budget. So I want to challenge them to really put more monies in there.

I am greatly encouraged about the recent news that the world's richest countries are close to committing billions of dollars a year to fight against AIDS and other infectious diseases in parts of Africa, Asia, and the Caribbean where they have reached pandemic proportions. The World Bank and the United Nations would be involved in setting up a global trust fund to help countries suffering from the HIV and AIDS pandemic. Again, the United States must be a vital part of this effort and the trust fund.

□ 2000

A global trust fund, coupled with efforts introduced by the gentlewoman from California (Ms. WATERS) and the gentlewoman from California (Ms. LEE), that would provide debt relief for these countries suffering greatest from HIV-AIDS, this indeed would help relieve that burden. More than 6,000 people die every day in African nations from AIDS, yet their governments lack sufficient financial resources to help them or to relieve the suffering.

In addition to the burden of repaying the debt often incurred by unaccountable government officials, these countries also must pay user fees and interest for these medications. These conditions require action by this Congress. The legislation introduced by my colleagues and myself is extremely important and has bipartisan support. It means economic relief for those countries.

There needs to be a comprehensive partnership waging a global campaign to prevent HIV and care for AIDS-affected patients. We are reminded of the complicated world surrounding global AIDS.

In developing countries like Africa, AIDS is one of several burdens or conditions that must be endured. In Africa, often AIDS is in the midst of severe poverty, inadequate food, severe poverty, and lack of housing; therefore, the effect of AIDS has been and continues to make these problems worse. It has posed the greatest threat to the very generation of young people who are the most productive and are poised to take Africa into a brighter future economically.

Those countries most affected by AIDS are oftentimes the same ones suffering from hunger and food insecurity. Nutrition and HIV operate in tandem at the level of both the individual and the community. For many individuals, nutrition deficiency probably makes people more susceptible to disease and infection. At the social level, food insecurity is a major cause for vulnerability to HIV.

Reduced agriculture production is also one of the impacts of HIV. Therefore, the legislation, H.Con.Res. 102, Hunger to Harvest Resolution, A Decade of Concern for Africa, which has been introduced in the House by the gentleman from Iowa (Mr. LEACH) and the gentleman from New Jersey (Mr. PAYNE), I am also a cosponsor, should be supported. This legislation will combat AIDS, provide education for all children, strengthen farming and small business, promote peace and good government. This legislation has a proposed commitment of $1 billion.

The President and Congress must keep this as a top priority. The pharmaceutical companies must be urged to provide needed drugs to Africa at substantially reduced prices and may want to consider making that as a donation. Drugs should be made available not only to populations that can afford it, but also the populations who desperately need it. This is a declaration that no country has to fight this battle alone, and no nation should stand by without offering help.

I am pleased to be joined by my colleague, the gentlewoman from Texas (Ms. JACKSON-LEE) who has been a strong fighter and provides valuable leadership.

Ms. JACKSON-LEE of Texas. Mr. Speaker, I was pleased to join the gentlewoman from North Carolina (Mrs. CLAYTON) in our recent trip to Botswana. Your leadership was evident there as we both listened to the briefings and visited sites where the persons who had full-blown AIDS were being cared for. We noted that they were in great need of hospital personnel, certainly more beds, but the individuals that were working were certainly working with a spirit that they were willing to fight the good fight.

I think that is the spirit under which we come to the floor today, because I am sure as we debate and speak to this issue on the floor of the House, maybe Americans who may be much more informed about HIV-AIDS and HIV the infection, and then full-blown AIDS, might think that we are speaking too frequently and too often and all is well; and they know this is a disease, but it will not happen to them.

I believe that it is important that the administration realize that the momentum that had been created, not in a partisan manner but in a bipartisan manner under the leadership of the past President, President Clinton, and Sandy Thurman whom we all worked with at the White House office. Her task was not easy, working with Members of Congress who had different perspectives, and then Congress working with several perspectives, but we finally came to the point of being able to focus, I think, about a year or two ago, $100 million on the AIDS issue. And then, of course, we came forward with a bill by the gentleman from Iowa (Mr. LEACH) and the gentlewoman from California (Ms. LEE) which had to do with the Marshall Plan. We joined the gentlewoman from California (Ms. WATERS) on debt relief, and now we are moving forward with legislation that both of us are cosponsoring.

We have been on an journey. Even as we discuss the African Growth and Opportunity Act, some two sessions ago, or maybe the beginning of the 106th Congress, there were several amendments to that trade bill. We had indicated that we would not let that trade bill move through the Congress without acknowledging if multinationals benefited from doing trade with Africa, that they needed to also engage in the issues of survival, and that was to put money aside. One of our pharmaceuticals did just that, put money aside to provide assistance.

But I think there are some key elements that we need to focus on, and I would like to share with you these elements even though we may have already had this come to our attention. This is a plague. It is a pandemic. I note my comments on my remarks say ''biblical proportions'' because we think of the flood and we understand what that means. It has claimed 17 million lives in recent decades, and unlike the Black Plague in the 14th century in Europe, the means to control AIDS are known. We know prevention, and so we understand that.

We are gratified that there has been some compromise on the lawsuit in South Africa, and we hope as South Africa begins to work steadily in its effort to fight the devastation in South Africa, we all accept that poverty is not good to help people get better. We do know that HIV is a virus that infects you and that it can result in full-blown AIDS.

On the other side of full-blown AIDS there is the question of survival, how long and what kind of medication is available to you.

So I think the focus should be to encourage the administration to say it will not work and we will not be successful if we start and stop. If we undermine the funding and the efforts that have been made to provide sub-Saharan Africa and other parts of Africa with the infrastructure that they need, the prescription drugs that they need, the medical personnel, support system that they need, then we are going to regress.

I would like to speak to the fact that it is not just giving money to the continent, it is also looking at their problems. Botswana is a good example. They are a small country and they are trying to work against this tide. They have about a 39 percent infected population, yet the president is very sensitive to it. He speaks about it. He takes this to the national bully pulpit, and his constituencies are working very hard. His medical director or health director is working very hard. His physicians, his nurses are working very hard.

What they said to me when I went to one of their sites, infrastructure is important. In order to get the drugs from the airport, they need good roads. In order to be able to monitor those who need to take the drugs, they need medical personnel.

So our appropriations process should look at how we can constructively collaborate, the World Health Organization, USAID, United Nations, and how we get the right kind of funding and we do not want to see the funding undermined and diminished. In particular, we will see all of the progress that we have made clearly go back to point zero.

As I spoke to an infected person who had been infected for 5 or 6 years, living with AIDS, he said it was a great leap from when he was infected to now. Now his whole family knows of his condition. They are accepting and educated about it, and they are preventing it from spreading. This is the kind of information that can be enhanced by the resources that we need.

I indicated this was a pandemic. Since the beginning of this, over 80 percent of all AIDS deaths have occurred in sub-Saharan Africa. By the end of 2000, there were an estimated 25.3 million people in sub-Saharan Africa living with HIV-AIDS, 70 percent of the total number of adults and 80 percent of the total number of children infected, worldwide.

I do not want this to be seen as a condemnation of the continent. It is a wonderful continent. It is a continent that is seeking after technology. It is seeking after education and building schools. I believe the gentlewoman from North Carolina was excited about the opportunities for rural America in collaborating in agriculture. It is a continent that is alive.

Frankly, I think we should view this as the potential dynamic of the world. As I traveled to India with the President, I believe last session, there was talk of its moving to India. There is talk of its moving to China. Those are huge population centers.

Mr. Speaker, I rise to join my democratic colleague Representative EVA CLAYTON from North Carolina in expressing our concerns about the ravages of HIV/AIDS both abroad and in our own country. The African continent has been particularly hard hit by this deadly disease. For this reason I am in favor of any effort by this body to increase access to HIV/AIDS treatment and education throughout the world, but especially on the continent of Africa.

HIV/AIDS has been declared the world's deadliest disease by the World Health Organization. HIV/AIDS has become a plague on the Continent of Africa of biblical proportions by claiming over 17 million lives in recent decades. Unlike the Black Plague in 14th century Europe, which took half as many lives, the means to control AIDS are known. I, too, rejoice in the good news that the pharmaceutical companies have withdrawn their lawsuit in South Africa so that the South African government can provide affordable HIV/AIDS drugs to those in need. However, most African and other foreign governments make no more than a modest level of effort to address the spread of the disease. For these reasons, I have and will continue to support additional funding for medication to be made available to the millions of poor around the world to fight the growing death toll attributed to HIV/AIDS.

This crisis is having a direct impact on the future viability of many sub-Saharan African communities. I recently witnessed the effects of HIV/AIDS while I was traveling with Congresswoman CLAYTON and other congressional members in Botswana. This disease deprives nations of parents, workers, and teachers, destabilizing the social and economic framework of the nation.

The impact of the HIV/AIDS epidemic on sub-Saharan Africa has been especially severe. Since the beginning of the epidemic, over 80 percent of all AIDS deaths have occurred in sub-Saharan Africa. By the end of 2000, there were an estimated 25.3 million people in sub-Saharan Africa living with HIV/AIDS—70 percent of the total number of adults and 80 percent of the total number of children infected worldwide. 3.8 million people were newly infected in this region in 2000 alone. There, over five thousand AIDS-related funerals occur per day.

According to the UNAIDS Update report on HIV/AIDS infection rates, in many countries up to 35 percent of all adults are infected with the disease. Nearly 4.2 million of South Africa's 45 million people are infected with the virus, more than in any other country. The report also estimates that half of today's teenage population in parts of Africa will perish from HIV/AIDS. The most vulnerable group being affected by HIV/AIDS are the women of Africa; their infection rate is far greater than males. In sub-Saharan Africa, 55 percent of all adults living with HIV are women, and this rate is expected to continue to rise in countries where poverty, poor health systems and limited resources for prevention and care are present. What fuels the spread of this disease? Ignorance, misinformation, unsafe cultural practices, apathetic leadership and neglect by nations who have the resources to fight the disease.

At least by the early 1990s, the world knew the size of the coming catastrophe in Africa and had the means available to slow its progression. Estimates from the World Health Organization in 1990 and 1991 projected a caseload, and eventual death toll, in the tens of millions by 2000.

Less than 20 years after doctors first described its symptoms, HIV has infected 57.9 million people. So far, nearly 22 million have died; this is roughly the population along the Amtrak route from New York to Washington, DC.

Pharmaceutical corporation Bristol-Myers has pledged $115 million towards fighting this epidemic in sub-Saharan Africa. However, this effort will only benefit just a few of the millions of victims of HIV/AIDS in Africa. We must do more.

I offer that the drug manufacturers and the Congressional Black Caucus should be on the same side in this effort. It is only a matter of funding, and this Administration can take the lead in gathering from the global community of wealthier nations. Congress and drug manufacturers should make leading this effort a top priority. We could see an end to unnecessary deaths and suffering by the close of this year if we make the commitment to do so today.

The cost of HIV/AIDS treatment for those living in the third world is estimated to be about $10,000 a year. It is estimated that even if treatment costs were reduced to only $1,000 a year it would still be far too expensive for Third World countries.

Drug therapies that have significantly extended the lives of people living with HIV/AIDS in the United States and other developed countries could cost between $4,000 and $20,000 per person per year in sub-Saharan Africa.

In the United States, where the treatment has become standard, the AIDS-related mortality rate fell 75 percent in three years.

The therapies, which use various combinations of antiviral drugs that emerged in Western countries five years ago have transformed the health and future of AIDS patients who took them.

Since that time the gap in medical care between rich and poor countries has grown tremendously—our nation along with others should be ashamed at this condition.

I would like to commend Congresswoman CLAYTON for her efforts to offer a clear perspective on the HIV/AIDS epidemic both internationally and domestically.

Now, more than ever, the leadership of the United States is needed in order to avert a tragedy on the Continent of Africa. Therefore, I implore my fellow colleagues of the House to commit the desperately needed funds for this critical area.

Many people have asked why this is important to the United States. Aside from the humanitarian perspective, HIV/AIDS has become a threat to our national security. HIV/AIDS undermines democracy and progress in many African nations and the developing world. Left to its own course HIV/AIDS will lead to political instability and may result in civil wars, which may affect the global balance of power as well as economic viability of many African nations. In many of these instances, our military service personnel may be pressed into service in order to defend American interest in any attempt to bring stability to those nations that decline into civil strife because of the ravages of HIV/AIDS. HIV/AIDS, like any epidemic, cannot be contained in any specific geographical area. It does not discriminate between rich and poor nations. Unfortunately, when this dreaded disease came to our shores, many believed that it was a calamity only for homosexuals and drug users. But AIDS knows no boundaries. With globalization, we also must be conscious of the potential for AIDS and other infectious diseases to be carried across borders.

The World Health Organization estimates that 36.1 million children and adults worldwide are living with HIV and/or AIDS. We must work to bring this tragic situation under control using all means at our disposal as a nation, which includes acting in a leadership capacity to encourage other nations to join in an effort to address this mammoth health crisis.

I would ask my colleagues not to continue to bury their minds under useless words, but to apply our collective resources to find solutions to the problem of HIV/AIDS in Africa.

Mrs. CLAYTON. Mr. Speaker, the gentlewoman is absolutely right. It is in Russia, China and India, as you indicated, so it is worldwide. In fact, there are 33 million people who have died of it, 33 million; 24 million of them were in Africa. But HIV-AIDS is in Russia, China, India and other parts of Asia.

This is something, if we fail to contain it where it is most severe, you are right, we will regret that later.

Ms. JACKSON-LEE of Texas. That is why your special order this evening and this discussion is very important. I am hoping that people will not get tired of listening to how they can protect themselves and how they can help by indicating to their Members of Congress and indicating to the administration that this is a health problem of such proportion that any slow-up would be devastating.

I do want to acknowledge that we have had some success with our corporations. I know that Bristol-Myers had put aside $115 million towards fighting the epidemic, but we need more of that along with the public complement, if you will, the public dollars. You can maximize them or match with private dollars, but they also send a signal about the fact that we are committed to the war.

We did some of that when we went to the United Nations when, in actuality, the U.N. Security Council declared HIV-AIDS as a security risk for all of those very prominent world countries that are sitting around the U.N. Security Council. They were convinced that as their military personnel travels from place to place, if there is infection, the potential of the military becoming infected there and bringing it back home was enormous.

I think if we can think along those lines, we begin not to be isolated about this issue. I know that when we were in Botswana, one of the doctors said if the number of people that were dying in sub-Saharan Africa were moved, it would be comparable to the United States, it would be almost like 13,000 persons a day dying in America.

So the challenge that we have is to not frighten people into inaction. The challenge that we have to the President, although he has mandated a 4 percent across-the-board cut, which I think is going to be very difficult, and that is why there is a lot of debate about this $1.5 million tax cut, I hear $1.2 trillion, it is certainly something that troubles me, because I believe in giving the people back a return on their investment certainly.

□ 2015

I for one was for a straight out $60 billion tax cut this year, give it to people and infuse the economy, but I am really uncertain about whether we do have a $5 trillion surplus, and what is going to happen in this war against HIV/AIDS. I just want to steer back to personal experience and that is in my congressional district. I do not know if we have spoken about our own personal experiences, but I think we should.

Mrs. CLAYTON. I did mention a little bit about the incidence increasing in my district. I live in a rural district, as the gentlewoman knows. She has been to my district. Sometimes in a rural area, we do not think what happens to cities happens to a rural area, like crime. We get crime, too. But surprisingly for a number of reasons, it has not been reported or people were not reporting themselves and all of a sudden the incidence is going up.

In fact, we represent, in eastern North Carolina, a little more than my district, though, I represent about 30 percent of all the new HIV reported. We represent only 12 percent of the population in my district. So the disproportion of the increase has been that people are lax, they do not have the information, they are not taking the precaution, and also there is not this kind of sophisticated infrastructure both in community and education and medical to bring the awareness.

We are now forming this partnership in the community to bring to the attention that in our local area, we do not have a pandemic, I am not trying to scare, as you say, people to things that are not there, but we are alarming them of what things are there and the potential. And people are coming forward to say what their conditions are, how they are struggling, either they do not have homes or once they know they have AIDS sometimes their family puts them out. There are all kinds of human tragedies and stories we hear.

We have a cultural issue to look on, we have an education issue and an awareness issue. The gentlewoman is absolutely right. We have to focus on our local area as well.

Ms. JACKSON-LEE of Texas. I think it is important that we have this discussion as it relates to our local areas. I was about to mention the fact that I had the United States Surgeon General in my district the entire day this past Monday, April 30. We started about 7:30 in the morning and went straight through to different health areas, different health facilities and different issues until about 5 o'clock.

A part of our day was spent in focusing on the question of HIV/AIDS in Houston. In the 18th Congressional District, in particular my district, showed that 53 percent of the new AIDS cases were African Americans; and I have the highest number of those. This is not a condemnation. I hope we will step away from condemning because there are a variety of sources of contacting this disease, but the one thing that we knew was important, we focused on, and I know that might be what you are focusing on, is education and prevention and getting people tested.

I was very delighted that one of my constituents, a Mr. Ernie Jackson, put forward a very, very powerful presentation on how we were collaborating with various community groups and various concerts, if you will, rallies to encourage people to come and be tested. We were up into the thousands. We are going to continue. I might compliment one of our famous gospel singers, Yolanda Adams, did a gospel concert. The tickets were given away free, and the persons were to be tested. But really what it shows is that we will have to be creative.

Some of this we can do with just elbow grease, some of this we can do with private sector contributions or collaboration. The church or faith-based community, we are trying to get them involved and engaged, but we cannot afford to do this without Ryan White treatment dollars for the whole population here in the United States, now I am over into the United States, that will continue treating problems, without the public hospital system where many of these people go because they are uninsured or underinsured.

Nor can we do this without the support of the funds that have been helping our various health agencies, in counseling money, prevention money and education money. And then let me just say and complement as I close, that we certainly cannot do this if we do not keep the Foreign Ops or the funding either under HHS or Foreign Ops that in particular goes to helping fight the pandemic internationally. It is crucial.

I hope that we are not sounding like, forgive me for saying this, a broken record. I hope that this is not taken as ''we have heard this before.'' I really do. Because I think both of us saw this firsthand. We heard those numbers. We were startled; were we not?

Mrs. CLAYTON. We were very startled.

Ms. JACKSON-LEE of Texas. They clearly are not because people are not trying to overcome.

Mrs. CLAYTON. I think we are all sensitive when we raise a flag and say this is a problem, that people will want to reject us because indeed we are repeating. But we have to do what we have to do to get them to know. I am confident that when people understand the seriousness of it, they will respond appropriately. I am hopeful that the education and prevention will get people aware enough to take some things in their own hands.

I have also been startled by the increase of sexually transferred disease, which we thought had been abolished almost. That has been increasing. Again that is something people can take responsibility for and control. Education is a key in that. We need to get our churches involved. As you said, the condemnation needs to be put in perspective of educating people to take responsibility now that they know they need to do these things.

You and I both are interested in the whole issue of teenage pregnancy, this is related. If indeed we do not involve our young people very early in the whole issue of abstinence and telling them about a far more productive life and giving them some opportunities to expand their life beyond being in an environment that is conducive to destructive behavior. In addition to that, we also have to be honest about the whole sexual education and protecting young people and giving them information that empowers them to know the consequences of their behavior. When they do that, again I have confidence,

people will take information and use it for their advantage and become empowered because of it.

Information is power. We ought to spread the good news that there are things you can do. You can prevent it. Prevention is a key. In fact, the United Nations report says that as bad as the statistics are, this is someone addressing the United Nations, all the African heads, we are encouraged because there are practices we know that will work. They cited Brazil. They cited Uganda. They cited some other areas where they are beginning to be part of a fabric of showing that you can cut down the incidence of HIV. No cure for AIDS but you can cut down the incidence of HIV.

Those are the kinds of things we want to bring awareness to. The partnership, the gentlewoman and I were struck, I know I was impressed by the partnership that had been formed in Botswana with the President of Botswana taking the lead and serving as the chair of that program. Yet although those resources were on the table, you are correct. We need the infrastructure. That is what we are working toward.

Ms. JACKSON-LEE of Texas. I am not sure whether or not the word is getting out of the great work that is being done in Botswana. Certainly Uganda should be cited. I just briefly want to add that we need to include in our discussion malaria and tuberculosis. I was very gratified in the meeting I had in my district. A number of us have signed a list, if you will, to organize, to see how more resources can get into these American districts, these urban districts to help these communities. I think we should not step away from the resources that are needed nationally.

Mrs. CLAYTON. I am glad the gentlewoman mentioned malaria as well as the tuberculosis, because there is data that shows that if a person has HIV and also contracts tuberculosis, that pulls the immunity down further and the likelihood of dying is increased. So you increase the chance of the person not living long with HIV but in fact causing the death. Malaria is another of those infectious diseases. There are treatments for malaria and there is prevention for tuberculosis. That, we can prevent. It does not cost a lot of money. There are vaccines and things we can do. We are hopeful that our colleagues and others who we know care about this issue will help. I am also encouraged by the present administration. Colin Powell has reaffirmed that this is a national security issue and that AIDS is going to be on their radar. We just want to make sure that the money will be there to support it.

GENERAL LEAVE

Ms. CLAYTON. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days within which to revise and extend their remarks on the subject of my special order today.

The SPEAKER pro tempore (Mr. CANTOR). Is there objection to the request of the gentlewoman from North Carolina?

There was no objection.

Mrs. MORELLA. Mr. Speaker, I want to thank my good friend and colleague Congresswoman EVA CLAYTON for arranging this special order on AIDS in Africa. We are becoming more and more aware that—as CNN reported, the African AIDS epidemic is ''the worst health calamity since the Middle Ages and one likely to be the worse ever.''

Statistics of the economic, social and personal devastation of the disease in sub-Saharan Africa are staggering.

23.3 million of the 33.6 million people with AIDS worldwide reside in Africa.

3.8 million of the 5.6 million new HIV infections in 2000 occurred in Africa.

African residents accounted for 85 percent of all AIDS-related deaths in 2000.

10 million of the 1.3 million children orphaned by AIDS live in Africa.

Life expectancy in Africa is expected to plummet from 59 years to 45 years between 2005 and 2010.

Many experts attribute the spread of the virus to a number of factors, including poverty, ignorance, costly treatments, lack of sex education and unsafe sexual practices. Some blame the transient nature of the workforce. Many men, needing to leave their families to drive trucks, work in mines or on construction projects, engage in sex with commercial sex workers of whom an estimated 90 percent are HIV positive. In addition many men go untested and unknowingly spread the virus.

Many of those infected cannot afford the potent combination of HIV treatment available in Western countries. In some countries only 40 percent of the hospitals in some capital cities have access to basic drugs.

While efforts are continuing to find an AIDS vaccine, many experts fear that some African countries hardest hit by the epidemic lack the basic infrastructure to deliver the vaccine to those most in need.

More than 25 percent of working-aged adults are estimated to carry the virus. Counties have lost 10 to 20 years of life expectancy due to this disease.

80 percent of those dying from AIDS were between ages 20 and 50, the bulk of the African workforce.

40 million children will be orphaned by the disease by 2010. Many of these children will be forced to drop out of school to care for a dying parent or take care of younger children.

Children themselves are being infected with the disease many through maternal-fetal transmission. While drugs like AZT have been proven effective in reducing the risk of an HIV positive mother infecting her newborn child, those drugs are too costly for most nations.

However, today unprecedented opportunities exist to improve health around the world. The private sector, led by the Gates foundation, has provided additional resources for health programs in developing countries.

Last weekend, members of the World Bank, the International Monetary Fund and the Group of Seven met in Washington and articulated the fact that HIV/AIDS is no longer just a health problem but a global health development problem, threatening to reverse many of the development gains made over the past half-century. What came out of these meetings was an agreement that what is needed is a war chest and a war strategy against HIV/AIDS.

Money alone will not solve the problem—but it is a critical part of the solution. Total global support for HIV/AIDS in developing countries last year was under $1 billion, less than a third of the estimated need in Africa alone. For FY 2001 Congress provided $315 million to USAID for global HIV/AIDS, a $115 million increase over the previous year. USAID was instructed to provide $10 million for the International AIDS Vaccine Initiative; $15 million for research on microbicides and up to $20 million for the International AIDS Trust Fund at the World Bank. However, our forward progress must continue. The creation of new drugs and vaccines cannot stand alone and we must also continue to invest in the development of public health infrastructure. It is estimated that it will take as much as $6 billion to address the pandemic.

The United States is uniquely positioned to lead the world in the prevention and eradication of HIV/AIDS. Some believe that the year 2000 was a turning point in the international response to the epidemic. We can be encouraged by this trend; however, we must not become complacent. We must continue to provide the drugs, and the care to lessen the pain and the suffering of millions of men, women and children throughout the world who are infected with HIV.

The Global Health Act of 2001 which I strongly support will provide an additional $275 million or HIV/AIDS, an additional $225 million for child survival, an additional $200 million for infectious diseases, an additional $200 million for international family planning services and an additional $100 million for maternal health.

Mr. Speaker, the Global Health Act in conjunction with a global AIDS trust fund must be our goal. Confronting AIDS in Africa as well as the rest of the world is one of the most important international humanitarian battles we face today.

RECESS

The SPEAKER pro tempore. Pursuant to clause 12 of rule I, the Chair declares the House in recess subject to the call of the Chair.

Accordingly (at 8 o'clock and 25 minutes p.m.), the House stood in recess subject to the call of the Chair.

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AFTER RECESS

The recess having expired, the House was called to order by the Speaker pro tempore (Mr. DREIER) at 11 o'clock and 38 minutes p.m.

RECESS

The SPEAKER pro tempore. Pursuant to clause 12 of rule I, the Chair declares the House in recess subject to the call of the Chair, which will be approximately 7 a.m.

Accordingly (at 11 o'clock and 39 minutes p.m.), the House stood in recess subject to the call of the Chair, at approximately 7 a.m.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 8 of rule XII, executive communications were taken from the Speaker's table and referred as follows:

1680. A letter from the Secretary, Department of Defense, transmitting a letter on the approved retirement of Lieutenant General Michael J. Byron, United States Marine Corps, and his advancement to the grade of lieutenant general on the retired list; to the Committee on Armed Services.

1681. A letter from the Secretary, Department of Energy, transmitting the Department's Annual Report for the Strategic Petroleum Reserve, covering calendar year 2000, pursuant to 42 U.S.C. 6245(a); to the Committee on Energy and Commerce.

1682. A letter from the Acting Assistant Secretary for Legislative Affairs, Department of State, transmitting the Department's annual report on international terrorism entitled, ''Patterns of Global Terrorism: 2000,'' pursuant to 22 U.S.C. 2656f; to the Committee on International Relations.

1683. A letter from the Acting Director, Office of Personnel Management, President's Pay Agent, transmitting a report justifying the reasons for the extension of General Schedule (GS) locality-based comparability payments to non-GS categories of positions that are in more than one executive agency, pursuant to 5 U.S.C. 5304(h)(2)(C); to the Committee on Government Reform.

1684. A letter from the Director, Federal Emergency Management Agency, transmitting the Agency's Final Annual Performance Plan for FY 2002; to the Committee on Government Reform.

1685. A letter from the Director, Administrative Office of the U.S. Courts, transmitting the annual report on applications for court orders made to federal and state courts to permit the interception of wire, oral, or electronic communications during calendar year 2000, pursuant to 18 U.S.C. 2519(3); to the Committee on the Judiciary.

1686. A letter from the President, The Foundation of the Federal Bar Association, transmitting a copy of the Association's audit report for the fiscal year ending September 30, 2000, pursuant to 36 U.S.C. 1101(22) and 1103; to the Committee on the Judiciary.

1687. A letter from the Chairman, U.S. Naval Sea Cadet Corps, transmitting the annual and financial reports for the year 2000, pursuant to Public Law 87–655; to the Committee on the Judiciary.

1688. A letter from the Chairman, Amtrak Reform Council, transmitting the Second Annual Report entitled, ''Intercity Rail Passenger Service In America: Status, Problems, And Options For Reform,'' pursuant to Public Law 105–134 section 203(h) (111 Stat. 2581); to the Committee on Transportation and Infrastructure.

1689. A letter from the Acting Vice President, Communications, Tennessee Valley Authority, transmitting a copy of the Authority's statistical summary for Fiscal Year 2000, pursuant to 16 U.S.C. 831h(a); to the Committee on Transportation and Infrastructure.

1690. A letter from the Attorney General, transmitting the 2000 annual report on the number of applications that were made for orders and extension of orders approving electronic surveillance under the Foreign Intelligence Surveillance Act, pursuant to 50 U.S.C. 1807; to the Committee on Intelligence (Permanent Select).

1691. A letter from the General Counsel, General Accounting Office, transmitting a report entitled, ''Elections: The Scope of Congressional Authority in Election Administration''; jointly to the Committees on House Administration and the Judiciary.

1692. A letter from the Secretary, Department of Health and Human Services, transmitting a draft bill entitled, ''HCFA Claims Processing User Fee Act of 2001''; jointly to the Committees on Ways and Means and Energy and Commerce.

MEMORIALS

Under clause 3 of rule XII, memorials were presented and referred as follows:

41. The SPEAKER presented a memorial of the House of Representatives of the State of Arkansas, relative to House Concurrent Resolution memorializing the United States Congress to take all reasonable action necessary to provide adequate and timely funding to the federal agencies responsible for the treatment and restoration work on damaged forestlands in Arkansas; to the Committee on Agriculture.

42. Also, a memorial of the House of Representatives of the State of Arkansas, relative to House Concurrent Resolution memorializing the United States Congress to review, with the goal of reducing, the paperwork created by federal laws and regulations related to special education; to the Committee on Education and the Workforce.

43. Also, a memorial of the Legislature of the State of Maine, relative to Joint Resolution memorializing the United States Congress to strengthen efforts to ensure that women are paid fairly for their work; to the Committee on Education and the Workforce.

44. Also, a memorial of the House of Representatives of the State of Arkansas, relative to House Concurrent Resolution memorializing the United States Congress to take all reasonable action to assure that prescription drugs are available and affordable to all citizens; to the Committee on Energy and Commerce.

45. Also, a memorial of the Senate of the State of Kansas, relative to Senate Resolution 1845 memorializing the United States Congress regarding the availability of prescription drugs to individual consumers and the need for assistance and relief from this circumstance; to the Committee on Energy and Commerce.

46. Also, a memorial of the Legislature of the State of Washington, relative to Senate Joint Memorial 8006 memorializing the U.S. Fish and Wildlife Service to apply for sufficient funding to construct the fish passage modifications necessary at the Leavenworth National Fish Hatchery, and that Congress shall see fit to appropriate the necessary funds; to the Committee on Resources.

47. Also, a memorial of the Legislature of the State of Kansas, relative to Senate Concurrent Resolution 1611 memorializing the United States Congress to oppose any legislation which would nullify the legal rights of the State of Kansas preserved by the Indian Gaming Regulatory Act and the interpretation of such act by the decision of the Tenth Circuit Court of Appeals; to the Committee on Resources.

48. Also, a memorial of the Senate of the State of Georgia, relative to Senate Resolution 193 memorializing the United States Congress to enact legislation reclassifying water well drilling vehicles and equipment as agricultural equipment under the federal commercial driver's license laws; to the Committee on Transportation and Infrastructure.

49. Also, a memorial of the Legislature of the State of Washington, relative to House Joint Memorial 4002 memorializing the United States Congress to take action necessary to amend the 1946 Rescission Act and honor our country's moral obligation to restore the Filipino veterans full United States veterans status with the military benefits that they deserve; to the Committee on Veterans' Affairs.

50. Also, a memorial of the General Assembly of the State of Ohio, relative to House Concurrent Resolution 8 memorializing the United States Congress to take all actions that are necessary to stop the dumping of foreign steel in the United States, including the amendment of existing foreign trade laws or the enactment of new foreign trade law to address the crisis in the steel industry; to the Committee on Ways and Means.

51. Also, a memorial of the Senate of the State of Mississippi, relative to Senate Resolution 15 memorializing the United States Congress to repeal the Federal Unified Gift and Estate Tax effective immediately; to the Committee on Ways and Means.

52. Also, a memorial of the House of Representatives of the State of Arkansas, relative to House Concurrent Resolution memorializing the United States Congress to support and enact the Railroad Retirement and Survivors Improvement Act in the 107th Congress; jointly to the Committees on Transportation and Infrastructure and Ways and Means.

PETITIONS, ETC.

Under clause 3 of rule XII, petitions and papers were laid on the clerk's desk and referred as follows:

9. The SPEAKER presented a petition of the Legislature of Rockland County, New York, relative to Resolution No. 120 petitioning the United States Congress to enact legislation entitled the Federal Election Modernization Act of 2001 to provide funding for the replacement of Rockland County's voting machines with electronic voting machines; to the Committee on House Administration.

10. Also, a petition of the Legislature of Rockland County, New York, relative to Resolution No. 77 petitioning the United States Congress to enact legislation requiring states to give full faith and credit to warrants issued by state civil courts against alleged violators of state civil court child support orders and further authorizing and requiring state law enforcement and other appropriate state officials to execute such warrants and extradite such alleged violators to the issuing jurisdictions; to the Committee on the Judiciary.

11. Also, a petition of the Legislature of Rockland County, New York, relative to Resolution No. 76 petitioning the United States Congress to enact legislation permitting state courts to require violators of child support orders due to private individuals where no Temporary Assistance to Needy Families (TANF) is involved in the case to participate in work programs or other rehabilitative programs funded by the federal government for TANF cases; to the Committee on Ways and Means.

12. Also, a petition of a Citizen of Cody, Wyoming, relative to petitioning the United States Congress to redress the grievances of abuses of the Social Security Administration in concert with the Internal Revenue Service; to the Committee on Ways and Means.

13. Also, a petition of the Legislature of Rockland County, New York, relative to Resolution No. 118 petitioning the United States Congress and the New York State Legislature to enact legislation requiring health insurance companies to cover the purchase of hearing aids and providing similar coverage to government employees and to participants of the medicare programs; jointly to the Committees on Energy and Commerce, Government Reform, and Ways and Means.

N O T I C E

Incomplete record of House proceedings. Today's House proceedings will be continued in the next issue of the Record.