

## *Federal Legislation Quick Guide*

December 19, 2007

### **Pending Legislation—Retirement Plans**

**Note:** The following charts summarize federal legislation that is currently under active consideration by Congress or has recently been enacted into law. In most cases, other bills have also been introduced on the same issue, but are not being actively considered by Congress at this time. For more information on the summarized bills, or to find other bills on the same issue, go to the Library of Congress Web site at <http://thomas.loc.gov>.

### **Nonqualified Deferred Compensation (NQDC)**

<p><b>Current Legislation</b></p>	<ul style="list-style-type: none"> <li>• Shareholder Vote on Executive Compensation Act (H.R. 1257/S. 1181).</li> <li>• Protecting Employees and Retirees in Business Bankruptcies Act (S. 2092/H.R. 3652).</li> <li>• Ending Corporate Tax Favors for Stock Options Act (S. 2116).</li> <li>• Tax Reduction and Reform Act of 2007 (H.R. 3970).</li> </ul>
<p><b>Status</b></p>	<ul style="list-style-type: none"> <li>• H.R. 1257 was approved by the House on April 20, 2007 by a vote of 269 to 134. S. 1181 was introduced by Sen. Obama (D-IL) on April 20, 2007.</li> <li>• S. 2092 and H.R. 3652 were introduced by Sen. Durbin (D-IL) and Rep. Conyers (D-MI), respectively, on September 25, 2007.</li> <li>• S. 2116 was introduced by Sen. Levin (D-MI) on September 28, 2007.</li> <li>• H.R. 3970 was introduced by Rep. Rangel (D-NY) on October 25, 2007.</li> </ul>
<p><b>Outlook</b></p>	<p>Other NQDC changes will be held over to 2008.</p> <p>Business leaders are willing to work on executive compensation issues with House Financial Services Committee Chairman Frank (D-MA) but have raised some concerns that advisory shareholder votes on executive pay plans could lead to votes on other aspects of corporate governance, such as hiring and strategic plans. President Bush has expressed his administration's opposition to H.R. 1257.</p>

## Nonqualified Deferred Compensation (NQDC) (continued)

<p><b>Outlook</b> (continued)</p>	<p>S. 2092/H.R. 3652 could see action in 2008 since Rep. Conyers is the Chairman of the House Judiciary Committee, the committee of jurisdiction, and Sen. Durbin sits on the Senate Judiciary Committee.</p> <p>Sen. Levin, Chairman of the Senate Permanent Subcommittee on Investigations, introduced S. 2116 following a June hearing on the stock options taxation issue. The legislation is a likely revenue raiser but could be held over to 2008.</p> <p>NQDC provisions are a revenue raiser. However, it appears that Senate Finance Committee staff has temporarily set aside a proposal to impose a cap on NQDC beyond what is required under 409A until 2008. The NQDC provisions that were being considered earlier in the year could include a market rate of return (possibly based on Code section 3121(v)), an indexed \$1 million annual cap, an extension of the payment date from 2 ½ months to 12 months after the vesting event, and an exclusion of DB mirror plans (mirror plan could include those that have more stringent vesting rules for the mirror plan). The House Ways and Means Committee could also revisit the NQDC provisions as part of deferral of offshore compensation or alternative minimum tax reform legislation. It is working closely with the Senate Finance Committee on the NQDC provisions.</p>
<p><b>Details</b></p>	<p>H.R. 1257/S. 1181 would require public companies to include in their annual proxies a non-binding advisory shareholder vote on their executive pay plans beginning in 2009. Such proxy votes would impose no “additional fiduciary duty” on the board. The bill would not set any limits on executive pay but would provide shareholders an opportunity to approve or disapprove a company’s executive pay practices. The legislation would also require a separate advisory vote if a company gave a new, not yet disclosed “golden parachute” while simultaneously negotiating to buy or sell a company.</p> <p>S. 2092 and H.R. 3652 purport to protect worker and retiree wages and benefits partly by increasing the parity of worker and executive claims when a corporate files for bankruptcy under Chapter 11. Under S. 2092/H.R. 3652, court approval of executive compensation would be required on exit from bankruptcy, and deferred executive compensation would be prohibited if employee compensation plans were terminated in bankruptcy. Workers would be able to make a claim for earned defined contribution plans, but insiders could not. Executive compensation enhancements would be limited during bankruptcy. Executive compensation could be recovered only relative to lost employee compensation. Finally the bill would void extra payments made to executives or consultants in anticipation of bankruptcy.</p>

## Nonqualified Deferred Compensation (NQDC) (continued)

<b>Details</b> (continued)	<p>S. 2116 would (1) create a new corporate stock option deduction under a new Code section 162(q) requiring the tax deduction to be consistent with the book expense, and (2) eliminate the existing corporate stock option deduction under Code section 83(h) allowing excess deductions. The bill would allow corporations to deduct stock option compensation in the same year it is recorded on the company books. The bill would establish a transition rule applying the new deduction to stock options exercised after enactment, permitting deductions under the old rule for options vested prior to adoption of FAS 123R on June 15, 2005, and allowing a catch-up deduction in the first year after enactment for options that vested between adoption of FAS 123R and the date of enactment. Finally, the bill would make executive stock option compensation deductions subject to the same \$1 million cap on corporate deductions that applies to other types of compensation paid to the top executives.</p> <p>H.R. 3970 would prevent hedge fund managers from using offshore hedge funds to defer compensation received for providing investment services.</p>
<b>Effective Date</b>	<p>H.R. 1257/S. 1181 would require the Securities and Exchange Commission (SEC) to issue final regulations within one year after the date of enactment.</p> <p>S. 2092/H.R. 3652 would be effective on date of enactment.</p> <p>The new deduction rules in S. 2116 would become effective on date of enactment. The executive pay deduction limit would apply to stock options exercised or granted after the date of enactment.</p>

## Expatriate Tax

<b>Current Legislation</b>	Tax Technical Corrections Act of 2007 (H.R. 3997).
<b>Status</b>	The House unanimously passed H.R. 3997 on November 6, 2007. The Senate passed the bill by unanimous consent with an amendment, on December 12. The House further amended the bill in H. Res. 884 on December 18 that passed unanimously. H.R. 3997 now returns to the Senate.
<b>Outlook</b>	H.R. 3997 is expected to be enacted this year.
<b>Details</b>	H.R. 3997 would revise the tax rules on expatriation by imposing a 30% withholding tax on distributions from tax-qualified and nonqualified plans at the time the distribution is paid. The new withholding requirement would apply to distributions paid to individuals who have relinquished their U.S. citizenship (expatriates) and those who were long-term U.S. residents (green card holders).
<b>Effective Date</b>	H.R. 3997 would become effective on date of enactment.

## Fee Disclosure

<b>Current Legislation</b>	<ul style="list-style-type: none"> <li>• 401(k) Fair Disclosure for Retirement Security Act of 2007 (H.R. 3185).</li> <li>• The Defined Contribution Plan Fee Transparency Act (H.R. 3765).</li> <li>• Mutual Fund Fee Reform Act (H.R. 3225).</li> <li>• Defined Contribution Fee Disclosure Act (S. 2473).</li> </ul>
<b>Status</b>	<ul style="list-style-type: none"> <li>• The House Education and Labor Committee held a hearing on H.R. 3185 on October 4, 2007.</li> <li>• H.R. 3765 was introduced by Rep. Neal (D-MA) on October 4, 2007. The House Ways and Means Committee held a hearing on October 30.</li> <li>• H.R. 3225 was introduced by Reps. Moore (D-KS) and Castle (R-DE) on July 31, 2007.</li> <li>• S. 2473 was introduced by Sens. Harkin (D-IA) and Kohl (D-WI) on December 13, 2007.</li> </ul>
<b>Outlook</b>	<p>Fee disclosure legislation will be held over to 2008. H.R. 3765 is an alternative to H.R. 3185 recognizing that the participant disclosure provisions of H.R. 3185 are too complex and of little value to participants.</p>
<b>Details</b>	<p>H.R. 3185 would require 401(k) plan administrators to obtain a service disclosure statement from service providers prior to entering into a contract with total cost that are at least \$1,000. The service disclosure statement would provide the identity of the service provider and a description of services and itemized costs of each service. Itemized costs would include sales commissions, start-up fees, investment management and advice expenses, trading costs, administrative and recording keeping fees, legal compliance, trusteeship, potential termination or surrender charges and other costs. The statement would also include disclosure of any conflicts of interest that a service provider may have with the plan sponsor, the plan or other service provider and receives a payment for services. The statement could require disclosure of the impact of share classes of certain mutual fund investments if applicable. Service providers performing services without charge, discounted services or rebates would also be required to be disclosed in the statement. Service providers would update the statement annually and within 30 days of any material change to the statement. Plan participants and beneficiaries would receive a copy of the statement within 30 days after a written request. The plan sponsor would be required to post the statement on the company's Intranet website.</p> <p>Under the legislation, a plan administrator would provide participants or beneficiaries with an annual investment election notice generally at least 15 days prior to the beginning of the plan year and upon the effective date of any material change in investment options. Such notice would include the name of each available investment option, investment objective, risk level, historical returns and fee menu. The fee menu would include any potential service fees assessed against a participant or beneficiary account, such as variable fees depending on the investment option selected, fees as a percentage of total assets and administrative and transactional fees.</p>

## Fee Disclosure (continued)

<b>Details</b> (continued)	<p>The bill would require plan administrators to provide each participant and beneficiary an annual benefit statement no later than 90 days after the close of each plan year. The annual benefit statement would generally disclose plan information from the preceding year, such as starting and ending account balance, vesting status, employer and employee contributions, earnings, fees assessed, asset allocation, service fees for each investment option, and a comparison of the performance of options to a nationally recognized market based index. The annual benefit statement could also include the historical return and risk level for each investment option and an estimated projection of amount a participant needs to save monthly to retire at age 65.</p> <p>The Department of Labor (DOL) would be required to provide model notices for the service disclosure statement, investment election notice and participant benefit notice. The DOL would also conduct an annual audit of a representative sampling of plans to determine compliance with these new disclosure requirements. The DOL would refer violations to the Securities Exchange Commission and other regulatory agencies.</p> <p>The bill would require 401(k) plans to include at least one investment option that is a nationally recognized market-based index fund that offers a combination of historical returns, risk and fees likely to meet retirement income needs at “adequate levels of contribution.” The bill would establish a 12 member advisory council on improving employer-employee retirement practices.</p> <p>H.R. 3765 would requires employers to provide employees with disclosures regarding plan investments and fees at enrollment and annually. The enrollment notice would require the disclosure of the key characteristics of each investment option such as risk and return characteristics and any applicable fees (including asset-based fees, whether fees are used for services beyond investment management, and whether additional charges apply such as redemption fees). In addition, participants would be provided a statement that they should not select investments based solely on fees but based on careful consideration of a range of factors. The annual notice would provide participants with information about the investments selected and the fees applicable to their accounts. This annual notice would describe the participant’s investment choices, as well as any asset-based or other fees charged to the account. Reasonable estimates of expenses or fees would be allowed for both notices. The Treasury Department would develop model notices and regulations for automatic enrollment and electronic communication. Failure to comply would result in a tax of \$100 per day per failure with annual exposure capped at \$500,000.</p>
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**Fee Disclosure (continued)**

<p><b>Details</b> (continued)</p>	<p>The bill would require service providers to provide various fee information to plan administrators in advance of a contract for plan services, each year the contract is in place and following any material modification of the contract. Providers would have to provide an estimate of total fees and a detailed and itemized list of all the services to be provided under the contract. Multiple bundled services would have to be separated for (1) investment management, (2) administration and recordkeeping, and (3) fees paid to intermediaries or other third parties. Reasonable estimates would be allowed. Revenue sharing would also have to be disclosed. The detailed disclosure statement would need to be provided to employers every year and after any material modification to the contract. Employers would be required to make the notice available to participants. Failure to comply would result in a tax of \$1,000 per day per failure with annual exposure capped at \$1,000,000.</p> <p>H.R. 3765 would apply to all participant-directed defined contribution plans, including 401(k) plans, 403(b) plans, and governmental 457(b) plans.</p> <p>H.R. 3225 would require the Securities and Exchange Commission (SEC) to improve the disclosure of 12b-1 fees and expenses charged to mutual fund investors.</p> <p>S. 2473 would require easy-to-understand fee information to be disclosed to participants in individual account plans. The fee information would have to be provided to participants before they choose between investment options in a plan and also on quarterly statements. In addition, the bill would require service providers to disclose more information to plan sponsors, including all fees and relationships between service providers.</p>
<p><b>Effective Date</b></p>	<p>H.R. 3185 would generally apply to plan years beginning after the date of enactment.</p> <p>Disclosures to participants under H.R. 3765 would become effective for plan years beginning on or after January 1, 2009. Disclosures between service providers and plans would apply to arrangements entered into or materially modified on or after the 90<sup>th</sup> day after enactment.</p> <p>H.R. 3225 would become effective one year after the SEC issues regulations (within 180 days after enactment).</p> <p>Effective date information for S. 2473 is not yet available.</p>

## PPA Technical Corrections

<b>Current Legislation</b>	<ul style="list-style-type: none"> <li>• Pension Protection Technical Corrections Act of 2007 (S. 1974/H.R. 3361).</li> <li>• To provide an orderly transition to new requirements (H.R. 3868).</li> <li>• Tax Technical Corrections Act of 2007 (H.R. 3997).</li> </ul>
<b>Status</b>	<p>S. 1974 and H.R. 3361 were introduced on August 2, 2007. House Ways and Means Chairman Rangel (D-NY) requested public comments on H.R. 3361, held a hearing on suggested changes on November 1 and hopes to pass legislation this year.</p> <p>H.R. 3868 was introduced by Reps. Pomeroy (D-ND) and Cantor (R-VA) on October 17, 2007.</p> <p>H.R. 3997 passed the House on December 18 with an amendment so it now goes back to the Senate for further vote.</p>
<b>Outlook</b>	<p>Minor technical corrections legislation will be enacted this year. Other technical corrections will have to wait until 2008.</p> <p>H.R. 3868 will not be enacted this year.</p>
<b>Details</b>	<p>S. 1974/H.R. 3361 would make clerical and conforming changes to the Pension Protection Act of 2006 (P.L. 109-280). The bill would clarify that the 2008 transition rule for determining at-risk status would apply to both the 70% and 80% tests. Under the funding rules, lump sums of \$5,000 or less could be paid, even if an underfunded plan would otherwise be prohibited from paying lump sums. Fiduciary relief currently available during blackout periods (which spans three consecutive days or more) would be extended to periods of less than three consecutive days. The bill would clarify that the combined plan deduction limit for defined benefit and defined contribution plans would not apply to the defined benefit plan if contributions to the defined contribution plan are not more than 6% of compensation. If these contributions are more than 6% of compensation, only contributions in excess of 6% would count towards the deduction limit. All plans would be required to permit rollovers out of the plan for non-spousal beneficiaries.</p> <p>The new vesting rules for hybrid plans would be effective on the basis of plan years and would apply to participants with an hour of service after the applicable effective date for the plan. The new interest crediting rules for hybrid plans in existence on June 29, 2005 would apply to years beginning after December 31, 2007, unless the sponsor elects to apply the rules earlier. The vesting and interest crediting rules that would apply to collectively bargained plans would not apply to plan years beginning before the earlier of: (1) (a) the later of January 1, 2008 or (b) the termination of the collective bargaining agreement; or (2) January 1, 2010.</p> <p>H.R. 3868 would delay the effective date of certain provisions of the PPA by one year to January 1, 2009, assuming that guidance is provided by the Treasury and Labor Departments by June 30, 2008. Otherwise, the PPA would be delayed until the January 1 after guidance is provided by June 30 of the applicable year.</p>

## PPA Technical Corrections (continued)

<b>Details</b> (continued)	<p>H.R. 3997 would make clerical and conforming changes to the Pension Protection Act of 2006 (P.L. 109-280). Under the bill, when determining the portion of a distribution that would otherwise be includible in income under Code Section 408(d)(8)(D) (relating to the tax exclusion for charitable distributions from IRAs), the otherwise includible amount would be determined as if all amounts were distributed from all of the individual's IRAs. Also under the bill, the \$15,000 cumulative limit on additional elective deferrals to a tax-sheltered annuity made under a special rule would be reduced only by additional designated Roth contributions made in previous years <b>under the special rule</b>, rather than by all designated Roth contributions made in previous years. The bill also clarifies that wage treatment (for purposes of social security and Medicare taxes) applicable to elective deferrals applies also to elective deferrals that are designated as Roth contributions.</p>
<b>Effective Date</b>	<p>S. 1974/H.R. 3361 would be effective as if included in the PPA.</p> <p>H.R. 3868 would be effective as if included in the PPA.</p> <p>H.R. 3997 would be effective as if included in the PPA.</p>

## Discrimination in Retirement Plan Benefits

<b>Current Legislation</b>	<ul style="list-style-type: none"> <li>• Lilly Ledbetter Fair Pay Act of 2007 (H.R. 2831).</li> <li>• The Fair Pay Restoration Act (S. 1843).</li> </ul>
<b>Status</b>	<ul style="list-style-type: none"> <li>• The House approved H.R. 2831 by a vote of 225 to 199 on July 31, 2007.</li> <li>• Sen. Kennedy (D-MA) introduced S. 1843 on July 20, 2007.</li> </ul>
<b>Outlook</b>	<p>S. 1843 bypassed the committee process and was placed directly on the Senate calendar, but will be held over to 2008. While the President would support some changes to remedy what happened in the <i>Ledbetter</i> case, he would likely veto the legislation as currently drafted because it is so broad.</p>
<b>Details</b>	<p>H.R. 2831/S. 1843 would overturn the recent Supreme Court decision in <i>Ledbetter v. Goodyear Tire &amp; Rubber Co.</i>, which held that the limitations period for filing a claim begins when the discriminatory act occurs and is communicated to the individual and does not re-start with each paycheck (the “paycheck rule”). The bill could potentially raise issues for plan sponsors including potential liability for increased compensation when re-calculating a benefit, how the bill would approach deduction limits, benefit limits under the Internal Revenue Code, employer matches and earnings.</p>
<b>Effective Date</b>	<p>H.R. 2831/S. 1843 would be effective May 28, 2007 and apply to all pay discrimination claims pending on or after that date.</p>

## Qualified Tuition Deduction

<b>Current Legislation</b>	<ul style="list-style-type: none"> <li>To amend the Internal Revenue Code to make permanent the qualified tuition deduction (H.R. 686).</li> </ul>
<b>Status</b>	<ul style="list-style-type: none"> <li>H.R. 686 was introduced by Reps. Pomeroy (D-ND) and English (R-PA) on January 24, 2007.</li> </ul>
<b>Outlook</b>	This bill will be held over to 2008. An extension of the current law provision may be retroactively enacted in 2008.
<b>Details</b>	H.R. 686 would make the current \$4,000 above-the-line income tax deduction for qualified higher education expenses permanent.
<b>Effective Date</b>	H.R. 686 would apply to taxable years beginning after December 31, 2007.

## IRAs

<b>Current Legislation</b>	<ul style="list-style-type: none"> <li>Public Good IRA Rollover Act of 2007 (S. 819/H.R. 1419).</li> <li>Automatic IRA Act of 2007 (S. 1141/H.R. 2167).</li> <li>Women's Retirement Security Act (S. 1288).</li> </ul>
<b>Status</b>	<ul style="list-style-type: none"> <li>S. 819 and H.R. 1419 were introduced by Sen. Dorgan (D-ND) and Rep. Pomeroy (D-ND), respectively on March 8, 2007.</li> <li>S. 1141 was introduced by Sens. Bingaman (D-NM) and Smith (R-OR) on April 18, 2007. H.R. 2167 was introduced by Reps. Neal (D-MA) and English (R-PA) on May 3, 2007.</li> <li>S. 1288 was introduced by Sens. Smith (R-OR) and Conrad (D-ND) on May 3, 2007.</li> </ul>
<b>Outlook</b>	This issue will be held over to 2008. The expiring tax provision for IRA rollovers may be retroactively enacted in 2008.
<b>Details</b>	S. 819/H.R. 1419 would make permanent a provision that allows penalty-free rollovers from IRAs to charitable organizations. The bill would allow tax-free direct gifts to charities from an IRA at age 70 ½ and "life income" gifts at age 59 ½. Life income gifts would involve the donation of assets to a charity where the donor retains an income stream from those assets for a defined period.

## IRAs (continued)

<b>Details</b> (continued)	<p>S. 1141/H.R. 2167 would require employers with more than ten employees that do not offer a qualified retirement plan or arrangement for their employees, to offer employees the option to remit wages to an IRA account. Employer contributions would not be required but small employers (less than 100 employees) would receive a tax credit to offset administrative costs. IRA contributions could be invested in life cycle funds similar to the Thrift Savings Plan (TSP) unless an employee chooses another investment and would receive the same tax treatment as other IRA contributions. If the payroll deposit IRA is an automatic enrollment arrangement, The automatic IRA contributions would be subject to the 401(k) automatic enrollment and other default election rules. Employers with automatic IRAs would not be subject fiduciary liability under ERISA. Automatic IRA contributions would generally be 3% of compensation that could be increased annually by the Board, but not more than 8% of compensation. The bill would also preempt conflicting state law that would prohibit or restrict the establishment of payroll deductions to automatic IRAs.</p> <p>S. 1288 is similar to S. 1141/H.R. 2167.</p>
<b>Effective Date</b>	<p>S. 819/H.R. 1419 would apply to taxable years beginning after December 31, 2006.</p> <p>S. 1141/H.R. 2167/S. 1288 would apply to calendar years beginning after December 31, 2008.</p>

## Retirement Plan Distributions for Active Military

<b>Current Legislation</b>	<ul style="list-style-type: none"> <li>• Tax Technical Corrections Act of 2007 (H.R. 3997).</li> </ul>
<b>Status</b>	<ul style="list-style-type: none"> <li>• The House unanimously passed H.R. 3997 on November 6, 2007. The Senate passed the bill by unanimous consent with an amendment, on December 12. The House further amended the bill in H. Res. 884 on December 18 that passed unanimously. H.R. 3997 now returns to the Senate.</li> </ul>
<b>Outlook</b>	<p>H.R. 3997 will likely be enacted this year.</p>
<b>Details</b>	<p>H.R. 3997 would make the penalty-free withdrawal provision permanent. The bill would also amend USERRA to require a trust to provide that if a person dies while performing qualified military service, the survivors would be entitled to any additional benefits provided under the plan had the participant resumed and then terminated employment on account of death. If a participant dies or becomes disabled while performing qualified military service, for benefit accrual purposes, an employer may treat the individual as if he or she had resumed employment pursuant to USERRA on the day preceding death or disability.</p>

## Retirement Plan Distributions for Active Military (continued)

<b>Details</b> (continued)	<p>This provision includes a nondiscrimination requirement for all individuals performing qualified military service. Employee contributions and elective deferral amounts would be calculated based on the individual's average actual contributions or deferrals for the lesser of the 12-month period of service immediately prior to qualified military service or the actual length of continuous service if employment is less than 12 months. These provisions would apply to deaths and disabilities that occur on or after January 1, 2007. The bill would provide that any differential wage payments made to employees called to active duty would count as wages. For retirement plan purposes, individuals receiving differential wage payments would be treated as employees and for purposes of distributions, the individual would be treated as having been severed from employment. However, if an individual chooses to receive distributions, he or she may not make any elective deferrals or contributions for the six month period beginning on the date of distribution. These provisions would apply to years beginning after December 31, 2007. The bill would allow military death gratuities to be rolled over to a Roth IRA or Coverdell education savings account (from an eligible retirement plan for contributions after the PPA became effective), and any contributions from an IRA (other than a Roth IRA) to a Roth IRA would be disregarded. This provision would apply to deaths from injuries occurring on or after the date of enactment. The provision would be applicable to deaths from injuries occurring after October 7, 2001 and before the date of enactment if contributions are made within one year after the date of enactment. For contributions made after the PPA became effective, the provision would apply to taxable years beginning after December 31, 2007.</p>
<b>Effective Date</b>	H.R. 3997 includes various effective dates as indicated in the Details section.

## Bankruptcy

<b>Current Legislation</b>	Protecting Employees and Retirees in Business Bankruptcies Act of 2007 (S. 2092/H.R. 3652).
<b>Status</b>	S. 2092 and H.R. 3652 were introduced by Sen. Durbin (D-IL) and Rep. Conyers (D-MI), respectively, on September 25, 2007.
<b>Outlook</b>	This legislation will be held over to 2008.

## Bankruptcy (continued)

<b>Details</b>	S. 2092 and H.R. 3652 purport to protect worker and retiree wages and benefits when a corporate files for bankruptcy under Chapter 11. Under the legislation, wage claims per worker would be increased to \$20,000 and would allow a second claim of up to \$20,000 for benefits earned. The 180-day filing requirement would be eliminated, and a new priority claim would be created for the loss in value of worker pensions. A new priority administrative expense would also be established for worker collective severance pay. The bill would restrict the situations in which collective bargaining agreements can be rejected and would tighten the criteria by which collective bargaining agreements can be amended. The procedures through which retiree benefits could be reduced would also be tightened. Added criteria would be used to evaluate bids for assets so that bids are also judged by offers to maintain existing jobs, preserve retiree health benefits and assume pension obligations. Reasonable and necessary expenses in determining the proceeds from asset sales would include unpaid wages, vacation, and other accrued benefits. Further, employees and retirees would continue to receive compensation after the company exits bankruptcy. The statement of purpose of reorganizing plans would have to include a plan to preserve jobs.
<b>Effective Date</b>	S. 2092/H.R. 3652 would be effective on date of enactment.

## Roth Accounts in Government Plans

<b>Current Legislation</b>	Farm, Nutrition, and Bioenergy Act of 2007 (H.R. 2419).
<b>Status</b>	H.R. 2419 passed the House by a vote of 231 to 191 on July 27, 2007. The Senate passed the bill with an amendment on December 14 by a vote of 79 to 14. The bill now heads to a conference committee.
<b>Outlook</b>	This legislation will be held over to 2008. The conference committee is expected to finish its work on the bill in January.
<b>Details</b>	H.R. 2419 includes a provision that would enable state and local governmental 457(b) plans to adopt qualified Roth contribution programs. Participants would be able to designate elective deferrals that could be otherwise deferred under the plan as Roth contributions. Qualified distributions of the Roth contributions and income on those contributions would be excluded from gross income.
<b>Effective Date</b>	H.R. 2419 would be effective for taxable years after December 31, 2007.