

Overview of Portman-Cardin Provisions Enacted Into Law

From 1995-2017, Rob Portman and Ben Cardin sponsored 19 retirement savings/pension bills, major portions of which were incorporated into comprehensive legislation that was enacted into law:

Small Business Job Protection Act of 1996 (P.L. 104-188) included 20 provisions from Portman-Cardin bills including:

- A change that permits non-profits to establish a 401(k) plan;*
- A change that allows retirement plan participants who have reached age 70 1/2 to delay required minimum distributions (RMDs) until they retire *
- SIMPLE Retirement Accounts**

*Pension Simplification Act of 1995 (H.R. 2037 in 104th Congress) (See separate list on pages 4-5 for complete list of H.R. 2037 provisions enacted into law)

**The establishment of SIMPLE Retirement Accounts (H.R. 2584 in 104th Congress)

Taxpayer Relief Act of 1997 (P.L. 105-34) included Portman-Cardin legislation*** that exempted state and local governmental plans from burdensome, costly and unnecessary nondiscrimination rules. (This was further clarified in the Pension Protection Act of 2006 (P.L. 109-280) to exempt *all* governmental plans.)

***H.R. 4099 in 104th Congress; H.R. 1740 in 105th Congress; H.R. 3669 in 107th Congress.

Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) (PL 107-16)

included numerous provisions from three Portman-Cardin bills **** introduced between 1998-2000 that expanded coverage, enhanced fairness for women and children, increased portability, strengthened pension security and enforcement, and reduced regulatory burdens. Major Portman-Cardin provisions included in EGTRRA:

Individual Retirement Accounts (IRAs)

- EGTRRA increased the \$2,000 IRA contribution limit for both traditional and Roth IRAs to \$5,000 by 2008, indexing it to inflation thereafter.
- The bill allowed taxpayers age 50 and above to contribute an additional \$1,000 to an IRA by 2006. These “catch-up” contributions will enable older taxpayers to more fully prepare for retirement.

Increased Pension Contributions

- The measure increased the limit on salary reduction contributions to 401(k)-type plans from \$10,500 to \$15,000 by 2006.

- The bill substantially increased the limits for all types of plans and repealed the 25 percent of compensation limit on contributions to defined contribution plans.
- EGTRRA allowed workers over age 50 to contribute up to \$5,000 in “catch-up” contributions for 401(k)-type plans. This change allows workers to make up for years when they were not employed, did not contribute to their plan, or otherwise were unable to save.

Vesting and Portability

- **Faster Vesting.** The bill required employer matching contributions to vest sooner -- lowering the requirement from five years down to three years -- so that employees may accumulate retirement assets more quickly.
- **Increased Portability.** EGTRRA included “portability” provisions that allow workers who are changing jobs to roll over retirement savings between different types of plans, including qualified plans (such as 401(k) plans), section 403(b) arrangements, and section 457 plans.

Multiemployer Treatment Under Section 415

- EGTRRA modified section 415 by eliminating the 100 percent of compensation limit for multiemployer defined benefit plans. The bill also provided that multiemployer plans would not be aggregated with single-employer DB plans maintained by the same employer for purposes of applying the 100 percent of compensation limit to such single-employer plans.

Encouraging Small Business Pension Growth

- EGTRRA modified pension laws to encourage small businesses to offer pension plans; for example, EGTRRA provided a tax credit for the establishment of a retirement plan by small businesses. EGTRRA also repealed and modified a wide range of unnecessary and outdated rules and regulations, and simplified the burdensome “top-heavy” rules in numerous ways, providing relief, especially to small businesses.
- **Reporting Simplification.** The bill allowed small employers to file a simplified Form 5500 (a reporting form that must be filed with the IRS and Department of Labor).

Arming Workers with Information

- **Investment Advice.** EGTRRA encouraged employer-provided investment advice to broad groups of employees through favorable tax treatment.
- **Disclosure.** The measure improves disclosure by requiring pension plan administrators to notify participants of significant reductions in future pension

benefits, including in the context of a conversion from a traditional defined benefit pension plan to a cash balance plan.

****Retirement Security for the 21st Century Act (H.R. 3788 in 1998); the Comprehensive Retirement Security and Pension Reform Act of 2000 (H.R. 1102 in 1999); the Comprehensive Retirement Security and Pension Reform Act of 2001 (H.R. 10 in 2001).

Pension Protection Act of 2006 (PPA) P.L. 109-280 – PPA included over 25 provisions from Portman-Cardin bills:

- **Automatic Enrollment:** Provides incentives for employers to offer automatic enrollment of employees in employer-sponsored retirement plans unless they opt out;
- **A Permanent Saver's Tax Credit:** This vital credit will give a government match to millions of low- and moderate-income savers who contribute to a workplace retirement plan or IRA;
- **Direct Deposit of Tax Refunds into Retirement Accounts:** This provision allows Americans to contribute some or all of their federal income tax refund directly into their IRA through electronic means;
- **Faster Vesting:** Reduces vesting schedules from five years to three years for employer contributions in defined contribution plans like 401(k)s;
- **Enhanced Pension Portability:** Makes it easier for employees to keep their savings in the retirement system when they change jobs;
- **Permanent Retirement Savings Opportunities:** Makes permanent all retirement and pension reforms contained in the 2001 tax bill, including catch-up contributions for those over age 50; small business incentives, the Saver's tax credit and expanded IRAs and 401(k)s; and,
- **Strengthens retirement plans for state and local government employees:** This will enable teachers and other state and local employees to buy into a complete pension benefit in the jurisdiction in which they finish their careers.
- **Reform of Funding Rules for Single-Employer Defined Benefit Plans.**
- **Exemption for all governmental plans from burdensome, costly and unnecessary nondiscrimination rules.**

The Consolidated Appropriations Act, 2016 (P.L. 114-113, enacted into law in December 2015) included Cardin-Portman provisions from S.2308, the Church Plan Clarification Act of 2015, which clarified the application of certain tax and retirement laws and regulations to the unique structures of church pension plans.

PENSION PLAN SIMPLIFICATION ACT OF 1995 (H.R. 2037)

TITLE I—SIMPLIFICATION OF NONDISCRIMINATION PROVISIONS

- Sec. 101. Definition of highly compensated employees; repeal of family aggregation. (1431)
- Sec. 102. Definition of compensation for section 415 purposes. (1434)
- Sec. 103. Modification of additional participation requirements. (1432)
- Sec. 104. Nondiscrimination rules for qualified cash or deferred arrangements and matching contributions. (1433)

TITLE II--SIMPLIFIED DISTRIBUTION RULES

- Sec. 201. Repeal of 5-year income averaging for lump-sum distributions. (1401)
- Sec. 202. Repeal of \$5,000 exclusion of employees' death benefits. (1402)
- Sec. 203. Simplified method for taxing annuity distributions under certain employer plans. (1403)
- Sec. 204. Required distributions. (1404)

TITLE III--TARGETED ACCESS TO PENSION PLANS FOR SMALL EMPLOYERS

- Sec. 301. Credit for pension plan start-up costs of small employers. (EGTRRA)
- Sec. 302. Modifications of simplified employee pensions.
- Sec. 303. Exemption from top-heavy plan requirements.
- Sec. 304. Tax-exempt organizations eligible under section 401(k). (1426)
- Sec. 305. Regulatory treatment of small employers.

TITLE IV--PAPERWORK REDUCTION

- Sec. 401. Repeal of combined section 415 limit. (1452)
- Sec. 402. Duties of sponsors of certain prototype plans.

TITLE V--MISCELLANEOUS SIMPLIFICATION

- Sec. 501. Treatment of leased employees. (1454)
- Sec. 502. Plans covering self-employed individuals. (1441)
- Sec. 503. Elimination of special vesting rule for multiemployer plans. (1442)
- Sec. 504. Full-funding limitation of multiemployer plans.
- Sec. 505. Alternative full-funding limitation.
- Sec. 506. Affiliated employers.
- Sec. 507. Treatment of governmental plans under section 415. (1444)
- Sec. 508. Treatment of deferred compensation plans of State and local governments and tax-exempt organizations. (1447)
- Sec. 509. Contributions on behalf of disabled employees. (1446)
- Sec. 510. Distributions under rural cooperative plans. (1443)
- Sec. 511. Special rules for plans covering pilots.
- Sec. 512. Tenured faculty.

Sec. 513. Uniform retirement age. (1445)

Sec. 514. Uniform penalty provisions to apply to certain pension reporting requirements. (1455)

Sec. 515. National Commission on Private Pension Plans.

Sec. 516. Date for adoption of plan amendments. (1465)