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National Employee Savings and Trust Equity Guarantee Act

Congress: 107 (2001–2003, Ended)

Chamber: Senate

Policy Area: Labor and Employment

Introduced: Feb 27, 2002

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Official Text: <https://www.congress.gov/bill/107th-congress/senate-bill/1971>

Sponsor

Name: Sen. Grassley, Chuck [R-IA]

Party: Republican • **State:** IA • **Chamber:** Senate

Cosponsors

No cosponsors are listed for this bill.

Committee Activity

Committee	Chamber	Activity	Date
Finance Committee	Senate	Reported By	Aug 2, 2002

Subjects & Policy Tags

Policy Area:

Labor and Employment

Related Bills

No related bills are listed.

National Employee Savings and Trust Equity Guarantee Act - **Title I: Diversification of Pension Plan Assets** - Amends the Internal Revenue Code (IRC) and the Employee Retirement Income Security Act of 1974 (ERISA) to require a defined contribution plan holding publicly traded securities to provide employees with: (1) the opportunity to divest employer securities; and (2) at least three investment options other than employer securities.

Title II: Protection of Employees During Pension Plan Transaction Suspension Period - Imposes a tax on the failure of a pension plan to provide notice to employees of any transaction suspension period of three or more consecutive business days in which there is a significant restriction on the right of plan participants to direct investments in the plan, obtain loans from the plan, or obtain distributions from the plan. Directs the Secretary of the Treasury to issue a model notice.

(Sec. 202) Amends ERISA to deny relief from fiduciary liability during a transaction suspension period, unless it is an authorized transaction suspension period.

(Sec. 203) Apportions relief to each participant in a plan where there is a breach of fiduciary responsibility.

(Sec. 204) Doubles the bond amount required for fiduciaries.

Title III: Providing of Information to Assist Participants - Subtitle A: General Provisions - Amends the IRC and ERISA to impose a tax on the failure of a plan to provide required benefit statements.

(Sec. 302) Taxes a plan for failing to provide required investment information. Directs the Secretary to develop a model of basic guidelines for retirement investing.

(Sec. 303) Directs the Secretary to issue regulations requiring a plan providing optional forms of benefits to provide a statement comparing the relative values of each form of benefit.

(Sec. 304) Requires a plan ensure that each plan participant and is provided with all material investment information regarding investment of such assets in employer securities.

(Sec. 305) Requires the disclosure of employer stock insider trading on a plan's individual account plan website.

(Sec. 306) Relieves a plan allowing a participant investment control of liability if certain requirements are met by the plan's qualified investment advisor.

Title IV: Other Provisions Relating to Pensions - Subtitle A: General Provisions - Grants the Secretary full authority to establish, implement, update, and improve the Employee Plans Compliance Resolution System and any other employee plans correction policies, including the authority to waive income, excise, or other taxes to ensure that any tax, penalty, or sanction is not excessive and bears a reasonable relationship to the nature, extent, and severity of the failure.

(Sec. 402) Extends to all government plans the exemption from nondiscrimination and minimum participation rules.

(Sec. 403) Requires a plan to provide 180 (currently, 90) days notice prior to commencing certain distributions.

(Sec. 404) Revises ERISA with respect to the National Summit on Retirement Savings.

(Sec. 405) Directs the Pension Benefit Guaranty Corporation (PBGC) to issue missing participant rules for multiemployer plans. Allows the transfer of missing participants' benefits to the PBGC upon plan termination in the case of certain plans

not subject to the PBGC termination insurance program.

(Sec. 406) Reduces PBGC premiums for new plans of small employers. Sets the flat-rate premium at five dollars per plan participant for the first five years of a new single-employer plan of an employer with 100 or fewer employees.

(Sec. 407) Reduces PBGC additional premiums for new and small plans. Phases in, over a five-year period, the variable-rate premium for a new defined benefit plan. Limits, for a plan maintained by an employer with 25 or fewer employees, the variable-rate premium to no more than five dollars times the number of plan participants at the end of the preceding year.

(Sec. 408) Authorizes the PBGC to pay interest on premium overpayment refunds.

(Sec. 409) Revises rules for substantial owner benefits in terminated plans. Reduces the phase-in periods for guaranteed benefits for a ten-percent or more owner (substantial owner) in the case of plan termination. Applies the allocation of asset rules to a substantial owner with less than 50 percent ownership in the same manner as other participants.

(Sec. 410) Requires the Secretary of Labor to revise specified regulations to require more timely notification of suspension of pension benefits to recipients who return to work for an employer from whose pension plan they are receiving a retirement annuity.

(Sec. 411) Revises the formula for determining the interest rate range for additional funding requirements for pension plans by the PBGC.

(Sec. 412) Amends the IRC, ERISA, and the Age Discrimination in Employment Act of 1967, with respect to certain voluntary early retirement incentive plans of State and local governments and tax-exempt organizations, to treat such plans bona fide severance pay plans to the extent that payments as early retirement benefits could otherwise be made, subject to stated conditions.

(Sec. 413) Amends provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001, as amended by the Job Creation and Worker Assistance Act of 2002, concerning the rollover of certain mandatory distributions and the designation of an institution to satisfy fiduciary requirements.

(Sec. 414) Amends the Retirement Protection Act of 1994, as amended by the Taxpayer Relief Act of 1997, to extend for two years minimum funding rules for certain plans.

Subtitle B: Studies - Directs the PBGC to undertake a study relating to the establishment of an insurance system for individual account plans.

(Sec. 422) Directs the Secretary of Labor to undertake a study of the administrative and transaction fees incurred by participants and beneficiaries in connection with the investment of assets in their accounts under individual account plans.

(Sec. 423) Directs the Secretary of the Treasury to undertake a study on ways to revitalize interest in defined benefit plans among employers.

(Sec. 424) Directs the PBGC to undertake a study to determine the number of floor-offset employee stock ownership plans still in existence and the extent to which such plans pose a risk to plan participants or beneficiaries and to the PBGC.

Subtitle C: Plan Amendments - Sets forth provisions relating to the effective date of certain amendments to pension plans or annuity contracts.

Title V: Provisions Relating to Executives and Stock Options - Subtitle A: Provisions Relating to Executives -

Part I: Executive Compensation - Repeals the provision of the Revenue Act of 1978 which limits the Secretary of the Treasury's authority to determine the taxable year of inclusion in gross income of amounts under private deferred compensation plans.

(Sec. 502) Prohibits assets located outside the U.S. and designated for the use of providing nonqualified deferred compensation from being subject to creditor's claims.

(Sec. 503) Establishes, as a general rule, that if a C corporation directly or indirectly makes a loan to an executive employee, five percent owner, or employee with a balance of more than \$1 million in loans and if the loan is not evidenced by some form of written indebtedness, there is no collateral, and no repayment schedule, such loan shall be treated as compensation (and not as a loan) in an amount equal to the loan.

(Sec. 504) Subjects to withholding, at the highest income tax rate, any supplemental wage payment exceeding \$1 million.

Part II: Signing Corporate Tax Returns - Requires the return of a corporation to be signed by the chief executive of such corporation.

Subtitle B: Stock Options - Amends the IRC and the Social Security Act to exclude from FICA and FUTA (employment taxes) wages incentive stock options and employee stock purchase plan options.

(Sec. 522) Treats as satisfying statutory holding requirements, regardless of how long the stock was held, the sale of stock acquired pursuant to the exercise of a stock option if the stock was sold in order to comply with Federal conflict of interest requirements.

Actions Timeline

- **Aug 2, 2002:** Committee on Finance. Reported by Senator Baucus under authority of the order of the Senate of 08/01/2002 with an amendment in the nature of a substitute. With written report No. 107-242.
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- **Aug 2, 2002:** Placed on Senate Legislative Calendar under General Orders. Calendar No. 552.
- **Jul 11, 2002:** Committee on Finance. Ordered to be reported with an amendment in the nature of a substitute favorably.
- **Feb 27, 2002:** Introduced in Senate
- **Feb 27, 2002:** Sponsor introductory remarks on measure. (CR S1253-1254)
- **Feb 27, 2002:** Read twice and referred to the Committee on Finance. (text of measure as introduced: CR S1254-1257)