

	Senate Pension Security and Transparency Act (S. 1783)	House Pension Protection Act of 2005 (H.R. 2830)	HOUSE-PASSED COMPROMISE BILL (H.R. 4)
Exception to 10% Early Withdrawal Penalty for Public Safety Employees	Would make an additional exception from the 10% early withdrawal tax for any distributions from a governmental defined benefit plan to a qualified public safety employee who separates from service on or after age 50. (Under current law, annuity-like distributions are exempt at any age, and lump-sum or partial-lump sum distributions are exempt from the tax if they are paid to employees who separate from service on or after age 55).	Would make an exception from the 10% early withdrawal tax specifically for distributions from DROP plans to public safety employees. The bill would provide a federal definition of a DROP plan and limit the exclusion to those plans only (raising concerns for plans that do not meet this definition and inequities for public safety personnel with other types of DROPs or alternatives such as partial lump sums, etc.)	Follows the Senate bill.
Tax-Free Distributions for Public Safety Retiree Health and Long Term Care	No provision.	Allows up to \$5,000 from governmental pension plans to be distributed pre-tax if used to purchase public safety retiree health or long term care insurance. Eligible participants must separate from service as a public safety officer due to disability or the attainment of normal retirement age from the employer who maintains the eligible retirement plan. Premiums, in order to be excluded from income, would need to be deducted from the distributions from the eligible retirement plan and paid directly to the insurer. All eligible retirement plans of an employer shall be treated as a single plan.	Follows House bill, but limits the tax-free distributions to \$3000.
401(k) Plans for State and Local Governments	Would allow all state/local governments to maintain 401(k) arrangements effective 1/1/2006. For new 401(k) plans, the limit on elective deferrals would be reduced by contributions to the 457 plan. This would not apply to pre-1986 grandfathered 401(k) plans. (Concerns voiced regarding intent as first step toward replacing other types of plans down the road, was not asked for by public ERs or EEs, possible marketing push).	No provision	No provision.
Minimum Distribution Regulations	Requires Treasury to issue regulations under which a governmental plan shall be treated as having complied with sec. 401(a)(9) regs if they they follow a reasonable good faith interpretation.	No Provision	Follows Senate bill



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Saver's Credit	No provision	Makes permanent the Saver's Credit, a federal "match" in the form of an income tax credit for the first \$2,000 of annual contributions to an IRA or qualified pension plan. The credit equals 50 percent of the contribution for individuals with adjusted gross incomes (AGI) of \$15,000 or less (\$30,000 or less for married couples) and phases down to zero for individuals with AGI of \$25,000 or less (\$50,000 or less for married couples). The credit is currently scheduled to expire after December 31, 2006.	Follows House provision.
"Use it or Lose it" FSA Rules	No Provision.	Would allow employees who participate in Flexible Spending Accounts to carry forward up to \$500 of unused balances each year. These balances may be carried forward in the FSA or transferred to a Health Savings Account.	No provision.
Withdrawals for Guardsmen and Reservists	No provision	Waives 10% early distribution penalty for military reservists/ national guardsmen who are called to active duty for at least 180 days. Amounts may be repaid to the IRA or pension plan within 2 yrs without regard to the annual limits. Applies to distributions made during active duty.	Follows House provision.

