

- **Saver's Credit Made Permanent** - The law makes permanent the Saver's Credit of up to \$2,000. Without this extension, the credit would not have been available after 2006. The law also [indexes](#) the Saver's Credit income limits to prevent this benefit from being eroded by inflation. (See also the "Timing is Everything" flyer on page 14.)
- **Requirement to Allow Employees to Divest Plan Assets** - The law requires employers to allow participants in defined contribution plans that are invested in employer securities to elect to direct the plan to divest employer securities into other investment options. Participants are required to be notified of their right to divest and of the importance of diversification. Issuance of a model notice for this purpose is being considered, and guidance is expected to be issued very soon.
- **Hardship Distributions** - This provision was effective on August 17, 2006 and modifies the rules governing hardships to include events that occur to a participant's spouse or dependent.
- **Treatment of IRA Contributions for Guard and Reservists Called to Active Duty** - The law provides that distributions from an IRA or pension plan taken by members of the National Guard and Reserves called to active duty after 9/11/2001 and before 12/31/2007 for a period in excess of 179 days are not subject to early withdrawal penalties. Withdrawn amounts may be repaid to the IRA or pension plan within two years of the distribution without regard to the annual contribution limit.
- **Rollover Rules** - The law provides new rollover requirements for after-tax rollovers in annuity contracts, direct rollovers from retirement plans to Roth IRAs, and rollovers by nonspouse beneficiaries of certain retirement plan distributions.
- **In-Service Distributions at Age 62** - The law allows pension plans to provide for distributions to employees who have attained age 62 and who have not separated from employment at the time of the distributions.

Additional guidance on these provisions will be issued by the IRS and Treasury. Please check our [Published Guidance](#) page frequently for updates.

For additional information, see:

- [Summary and Bill Information](#) - Pension Protection Act of 2006.
- [Technical Explanation](#) of the Pension Protection Act of 2006. ■

"Timing is Everything"

The first anniversary edition of our "Timing is Everything" flyer is on [page 14](#). In this edition, we have information on 2007 contribution limitations and the Retirement Saver's Credit. Feel free to go ahead and print and/or share the flyer with your employees. ■

