percent) use short-term, low risk options such as money market and stable value funds, while 30 percent use balanced funds.

4. Significant Pending Regulatory Projects Relating to Retirement Plans

The IRS's current priority guidance plan year ends on June 30, and a number of significant regulatory projects relating to retirement plans are pending. This chart summarizes those projects and provides up-to-date information about their status. Information about retirement plan related projects pending at the Employee Benefits Security Administration and Securities and Exchange Commission also is provided.

Retirement Plans
Significant (Pending) Regulatory Projects
(as of April 16, 2004)

Subject	Summary	Status
Employee Benefits Security Administration (Department of Labor)		
Mandatory Cash Outs	The Economic Growth and Tax Relief Reconciliation Act (EGTRRA) amended the tax-qualification rules (IRC § 401(a)(31)(B)) to require plans to establish a default IRA rollover option for mandatory cash outs of more than $1,000. That is, in the absence of an affirmative election by the distributee, the plan must transfer the cash out proceeds to an IRA it establishes on the distributee's behalf and designate how those proceeds are to be invested. Because selecting the IRA trustee and making investment decisions are subject to ERISA's fiduciary standards, the new requirements are not scheduled to become effective until the EBSA issues final regulations providing fiduciary safe harbors for these actions. The EBSA issued proposed regulations in March that outline six conditions for plans to be eligible for the fiduciary safe harbor. Probably the most controversial of these conditions is that investment fees and expenses could be charged only against income earned by the IRA, and could not be more than the IRA provider charges for comparable IRAs established for other types of rollovers.	The proposed regulations appeared in the March 2, 2004, edition of the Federal Register (69 FR 9900). The EGTRRA directs EBSA to issue final regulations by June 7, 2004.
Suspension of Benefits	Current regulations (Labor Reg. § 2530.203-3) outline the rules for when pension plans may suspend benefit payments to individuals who continue working past normal retirement age, or return to work after benefit	The EBSA has not issued proposed regulations yet,

Subject	Summary	Status
	payments have commenced, without causing an impermissible forfeiture of accrued benefits. The business community has been lobbying for changes to these regulations to allow plans to provide the suspension of benefits as part of their Summary Plan Descriptions (SPD) in certain circumstances. According to the EBSA's regulatory agenda, it is planning to propose changes to the current rules relating to providing this notice, but it has not indicated what those proposed changes might be.	but may do so sometime this year.
	Internal Revenue Service (Department of Treasury)	
Cash Balance Plans	The IRS late in 2002 issued proposed regulations relating to applying the Age Discrimination in Employment Act's (ADEA) prohibitions against age-based reductions in a pension plan's rate of benefit accrual to cash balance plans, and to applying the IRC § 401(a)(4) cross-testing rules to cash balance plans. The IRS subsequently withdrew the portion relating to cross-testing due to concerns that it would inadvertently prevent plan sponsors from offering transition relief for participants affected by cash balance conversions, and the Congress has enacted legislation to prohibit the IRS from issuing the ADEA regulations in final form during the current fiscal year. According to the IRS's most recent semiannual regulatory agenda, the IRS is planning to issue proposed regulations relating to calculating lump sum distributions from cash balance plans.	The IRS probably will not issue any proposed or final regulations relating specifically to cash balance plans in 2004.
Anticutback Relief – Defined Contribution Plans	The EGTRRA amended IRC § 411(d)(6) generally to permit defined contribution plans to eliminate forms of distribution if an otherwise identical lump sum distribution option is available to participants, subject to Treasury regulations. Even before Congress added this provision to the statute, the Treasury Department issued regulations (Treas. Reg. § 1.411(d)-4, Q/A 2(e)) permitting defined contribution plans to eliminate forms of distribution in these circumstances, subject to an additional 90-day notice condition (i.e., the amendment cannot apply to participants with annuity starting dates within 90 days after participants are notified of the amendment). The proposed regulations would repeal the 90-day notice condition because it is inconsistent with the statute.	The proposed regulations appeared in the July 8, 2003, edition of the Federal Register (68 FR 40581). The IRS may issue final regulations sometime this year.
Anticutback Relief – Defined	The EGTRRA amended IRC § 411(d)(6) to direct the Treasury Secretary to provide anticutback relief so plans	The proposed regulations

Subject	Summary	Status
Benefit Plans	can reduce or eliminate "benefits or subsidies which create significant burdens or complexities for the plan and plan participants, unless such amendment adversely affects the rights of any participant in a more than *de minimis* manner." Pursuant to this mandate, the IRS in April issued proposed regulations outlining proposed exceptions to the anticutback rule for amendments eliminating early retirement benefits, retirement-type subsidies, and optional forms of benefit from defined benefit plans.	appeared in the March 24, 2004, edition of the Federal Register (69 FR 13769). The IRS is accepting comments on the proposed regulations through June 22, 2004. It is not clear when the IRS will issue final regulations.
Cash or Deferred Arrangements (401(k) and 401(m) Plans)	The IRS last summer issued proposed regulations to update and revise existing regulations on qualified cash or deferred arrangements, matching contributions, and employee contributions. The proposed regulations are designed primarily to bring the regulations into compliance with changes to the relevant law Congress enacted in 1996, 1997, and 2001, among other things.	The proposed regulations appeared in the July 17, 2003, edition of the Federal Register (68 FR 42476). The IRS may issue final regulations sometime this year.
Section 403(b) Plans	The IRS is planning to update and revise existing regulations relating to IRC § 403(b) plans. There have been numerous statutory changes affecting these plans since the existing regulations were first promulgated in 1964.	The IRS may issue proposed regulations sometime this year.
Minimum Distribution Rules – Defined Benefit Plans	The IRS in 2002 issued proposed and temporary regulations relating to applying the IRC § 401(a)(9) required minimum distribution rules to defined benefit plans and annuity contracts. (The IRS issued final regulations relating to applying these rules to defined contribution plans at the same time.)	The proposed and temporary regulations appeared in the April 17, 2002, edition of the Federal Register (67 FR 18834). The IRS may issue final regulations sometime this year.

Subject	Summary	Status
Employer Deductions	The IRS is planning to issue proposed regulations to update and clarify the general rules for the deductibility of employer contributions to tax-qualified retirement plans.	The IRS may issue proposed regulations sometime this year.
Securities and Exchange Commission		
Hard 4:00 p.m. Deadline	In order to prevent late trading in mutual funds, the SEC late last year issued proposed rules to require mutual fund investors – including 401(k) plan participants – to submit purchase and redemption orders to the fund, the fund's "designated transfer agent," or a registered clearing agency no later than 4:00 p.m. eastern time in order to have the transaction executed at the current day's net asset value (NAV). As a practical matter, this would mean 401(k) plan participants often would have their transactions executed at the next day's NAV unless they submitted their orders to the plan administrator well before 4:00 p.m. The SEC has expressed interest in a special rule that would allow 401(k) plan administrators to submit orders to designated transfer agents after the 4:00 p.m. deadline if certain safeguards are in place.	The proposed regulations appeared in the December 17, 2003, edition of the Federal Register (68 FR 70388). The SEC may issue final regulations sometime this year.
Mandatory Redemption Fees for Rapid Trading	In order to prevent market timing of mutual funds, the SEC in March issued proposed rules that would require mutual funds to impose a 2 percent redemption fee on the proceeds of shares redeemed within 5 days of purchase. The mandatory redemption fee would apply to 401(k) plan participants, but a series of special rules would apply to prevent long-term investors from being inadvertently penalized.	The proposed regulations appeared in the March 11, 2004, edition of the Federal Register (69 FR 11762). The SEC may issue final regulations sometime this year.

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