

Calendar No. 124

113TH CONGRESS
1ST SESSION

S. 1238

To amend the Higher Education Act of 1965 to extend the current reduced interest rate for undergraduate Federal Direct Stafford Loans for 1 year, to modify required distribution rules for pension plans, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JUNE 27, 2013

Mr. REED (for himself, Mrs. HAGAN, Mr. FRANKEN, Mr. HARKIN, Ms. STABENOW, Ms. WARREN, Mrs. MURRAY, Mr. REID, Ms. LANDRIEU, Mr. PRYOR, Mr. DURBIN, Mr. WHITEHOUSE, Mr. UDALL of New Mexico, Ms. KLOBUCHAR, Mr. BROWN, Mr. MENENDEZ, Mr. LEAHY, Mr. SANDERS, Mrs. SHAHEEN, Mr. SCHATZ, Mr. LEVIN, Ms. HIRONO, Mrs. MCCASKILL, Mr. MURPHY, Mr. BLUMENTHAL, Ms. BALDWIN, Mr. BEGICH, Mr. HEINRICH, Mrs. GILLIBRAND, Mr. CARDIN, Mr. MERKLEY, Mr. ROCKEFELLER, Mr. WYDEN, Mrs. BOXER, Ms. MIKULSKI, Mr. NELSON, Mr. JOHNSON of South Dakota, Mr. CASEY, and Mr. COONS) introduced the following bill; which was read twice and ordered placed on the calendar

A BILL

To amend the Higher Education Act of 1965 to extend the current reduced interest rate for undergraduate Federal Direct Stafford Loans for 1 year, to modify required distribution rules for pension plans, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the “Keep Student Loans
3 Affordable Act of 2013”.

4 **SEC. 2. INTEREST RATE EXTENSION.**

5 Section 455(b)(7)(D) of the Higher Education Act of
6 1965 (20 U.S.C. 1087e(b)(7)(D)) is amended—

7 (1) in the matter preceding clause (i), by strik-
8 ing “and before July 1, 2013,” and inserting “and
9 before July 1, 2014,”; and

10 (2) in clause (v), by striking “and before July
11 1, 2013,” and inserting “and before July 1, 2014,”.

12 **SEC. 3. MODIFICATIONS OF REQUIRED DISTRIBUTION**
13 **RULES FOR PENSION PLANS.**

14 (a) IN GENERAL.—Section 401(a)(9)(B) of the Inter-
15 nal Revenue Code of 1986 is amended to read as follows:

16 “(B) REQUIRED DISTRIBUTIONS WHERE
17 EMPLOYEE DIES BEFORE ENTIRE INTEREST IS
18 DISTRIBUTED.—

19 “(i) 5-YEAR GENERAL RULE.—A trust
20 shall not constitute a qualified trust under
21 this section unless the plan provides that,
22 if an employee dies before the distribution
23 of the employee’s interest (whether or not
24 such distribution has begun in accordance
25 with subparagraph (A)), the entire interest

1 of the employee will be distributed within
2 5 years after the death of such employee.

3 “(ii) EXCEPTION FOR ELIGIBLE DES-
4 IGNATED BENEFICIARIES.—If—

5 “(I) any portion of the employ-
6 ee’s interest is payable to (or for the
7 benefit of) an eligible designated bene-
8 ficiary,

9 “(II) such portion will be distrib-
10 uted (in accordance with regulations)
11 over the life of such eligible des-
12 igned beneficiary (or over a period
13 not extending beyond the life expect-
14 ancy of such beneficiary), and

15 “(III) such distributions begin
16 not later than 1 year after the date of
17 the employee’s death or such later
18 date as the Secretary may by regula-
19 tions prescribe,

20 then, for purposes of clause (i) and except
21 as provided in clause (iv) or subparagraph
22 (E)(iii), the portion referred to in sub-
23 clause (I) shall be treated as distributed on
24 the date on which such distributions begin.

1 “(iii) SPECIAL RULE FOR SURVIVING
2 SPOUSE OF EMPLOYEE.—If the eligible
3 designated beneficiary referred to in clause
4 (ii)(I) is the surviving spouse of the em-
5 ployee—

6 “(I) the date on which the dis-
7 tributions are required to begin under
8 clause (ii)(III) shall not be earlier
9 than the date on which the employee
10 would have attained age 70½, and

11 “(II) if the surviving spouse dies
12 before the distributions to such spouse
13 begin, this subparagraph shall be ap-
14 plied as if the surviving spouse were
15 the employee.

16 “(iv) RULES UPON DEATH OF ELIGI-
17 BLE DESIGNATED BENEFICIARY.—If an el-
18 ible designated beneficiary dies before the
19 portion of an employee’s interest described
20 in clause (ii) is entirely distributed, clause
21 (ii) shall not apply to any beneficiary of
22 such eligible designated beneficiary and the
23 remainder of such portion shall be distrib-
24 uted within 5 years after the death of such
25 beneficiary.”.

1 (b) DEFINITION OF ELIGIBLE DESIGNATED BENE-
2 FICIARY.—Section 401(a)(9)(E) of the Internal Revenue
3 Code of 1986 is amended to read as follows:

4 “(E) DEFINITIONS AND RULES RELATING
5 TO DESIGNATED BENEFICIARY.—For purposes
6 of this paragraph—

7 “(i) DESIGNATED BENEFICIARY.—The
8 term ‘designated beneficiary’ means any
9 individual designated as a beneficiary by
10 the employee.

11 “(ii) ELIGIBLE DESIGNATED BENE-
12 FICIARY.—The term ‘eligible designated
13 beneficiary’ means, with respect to any em-
14 ployee, any designated beneficiary who, as
15 of the date of death of the employee, is—

16 “(I) the surviving spouse of the
17 employee,

18 “(II) subject to clause (iii), a
19 child of the employee who has not
20 reached majority (within the meaning
21 of subparagraph (F)),

22 “(III) disabled (within the mean-
23 ing of section 72(m)(7)),

24 “(IV) a chronically ill individual
25 (within the meaning of section

1 7702B(c)(2), except that the require-
2 ments of subparagraph (A)(i) thereof
3 shall only be treated as met if there is
4 a certification that, as of such date,
5 the period of inability described in
6 such subparagraph with respect to the
7 individual is an indefinite one that is
8 reasonably expected to be lengthy in
9 nature), or

10 “(V) an individual not described
11 in any of the preceding subparagraphs
12 who is not more than 10 years young-
13 er than the employee.

14 “(iii) SPECIAL RULE FOR CHIL-
15 DREN.—Subject to subparagraph (F), an
16 individual described in clause (ii)(II) shall
17 cease to be an eligible designated bene-
18 ficiary as of the date the individual reaches
19 majority and the requirement of subpara-
20 graph (B)(i) shall not be treated as met
21 with respect to any remaining portion of
22 an employee’s interest payable to the indi-
23 vidual unless such portion is distributed
24 within 5 years after such date.”.

1 (c) REQUIRED BEGINNING DATE.—Section
2 401(a)(9)(C) of the Internal Revenue Code of 1986 is
3 amended by adding at the end the following new clause:

4 “(v) EMPLOYEES BECOMING 5-PER-
5 CENT OWNERS AFTER AGE 70¹/₂.—If an
6 employee becomes a 5-percent owner (as
7 defined in section 416) with respect to a
8 plan year ending in a calendar year after
9 the calendar year in which the employee
10 attains age 70¹/₂, then clause (i)(II) shall
11 be applied by substituting the calendar
12 year in which the employee became such
13 an owner for the calendar year in which
14 the employee retires.”.

15 (d) EFFECTIVE DATES.—

16 (1) IN GENERAL.—Except as provided in this
17 subsection, the amendments made by this section
18 shall apply to distributions with respect to employees
19 who die after December 31, 2013.

20 (2) REQUIRED BEGINNING DATE.—

21 (A) IN GENERAL.—The amendment made
22 by subsection (c) shall apply to employees be-
23 coming a 5-percent owner with respect to plan
24 years ending in calendar years beginning before,

1 on, or after the date of the enactment of this
2 Act.

3 (B) SPECIAL RULE.—If—

4 (i) an employee became a 5-percent
5 owner with respect to a plan year ending
6 in a calendar year which began before Jan-
7 uary 1, 2013, and

8 (ii) the employee has not retired be-
9 fore calendar year 2014,

10 such employee shall be treated as having be-
11 come a 5-percent owner with respect to a plan
12 year ending in 2013 for purposes of applying
13 section 401(a)(9)(C)(v) of the Internal Revenue
14 Code of 1986 (as added by the amendment
15 made by subsection (c)).

16 (3) EXCEPTION FOR CERTAIN BENE-
17 FICIARIES.—If a designated beneficiary of an em-
18 ployee who dies before January 1, 2014, dies after
19 December 31, 2013—

20 (A) the amendments made by this section
21 shall apply to any beneficiary of such des-
22 ignated beneficiary, and

23 (B) the designated beneficiary shall be
24 treated as an eligible designated beneficiary for
25 purposes of applying section 401(a)(9)(B)(iv) of

1 such Code (as in effect after the amendments
2 made by this section).

3 (4) EXCEPTION FOR CERTAIN EXISTING ANNU-
4 ITY CONTRACTS.—

5 (A) IN GENERAL.—The amendments made
6 by this section shall not apply to a qualified an-
7 nuity which is a binding annuity contract in ef-
8 fect on the date of the enactment of this Act
9 and at all times thereafter.

10 (B) QUALIFIED ANNUITY CONTRACT.—For
11 purposes of this paragraph, the term “qualified
12 annuity” means, with respect to an employee,
13 an annuity—

14 (i) which is a commercial annuity (as
15 defined in section 3405(e)(6) of such
16 Code) or payable by a defined benefit plan,

17 (ii) under which the annuity payments
18 are substantially equal periodic payments
19 (not less frequently than annually) over the
20 lives of such employee and a designated
21 beneficiary (or over a period not extending
22 beyond the life expectancy of such em-
23 ployee or the life expectancy of such em-
24 ployee and a designated beneficiary) in ac-
25 cordance with the regulations described in

1 section 401(a)(9)(A)(ii) of such Code (as
2 in effect before such amendments) and
3 which meets the other requirements of this
4 section 401(a)(9) of such Code (as so in
5 effect) with respect to such payments, and
6 (iii) with respect to which—

7 (I) annuity payments to the em-
8 ployee have begun before January 1,
9 2014, and the employee has made an
10 irrevocable election before such date
11 as to the method and amount of the
12 annuity payments to the employee or
13 any designated beneficiaries, or

14 (II) if subclause (I) does not
15 apply, the employee has made an ir-
16 revocable election before the date of
17 the enactment of this Act as to the
18 method and amount of the annuity
19 payments to the employee or any des-
20 ignated beneficiaries.

Calendar No. 124

113TH CONGRESS
1ST Session
S. 1238

A BILL

To amend the Higher Education Act of 1965 to extend the current reduced interest rate for undergraduate Federal Direct Stafford Loans for 1 year, to modify required distribution rules for pension plans, and for other purposes.

JUNE 27, 2013

Read twice and ordered placed on the calendar