

SEC. 624. TREATMENT OF INVESTMENT OF ASSETS BY PLAN WHERE PARTICIPANT FAILS TO EXERCISE INVESTMENT ELECTION.

(a) **IN GENERAL.**—Section 404(c) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1104(c)), as amended by section 622, is amended by adding at the end the following new paragraph:

“(5) **DEFAULT INVESTMENT ARRANGEMENTS.**—

“(A) **IN GENERAL.**—For purposes of paragraph (1), a participant in an individual account plan meeting the notice requirements of subparagraph (B) shall be treated as exercising control over the assets in the account with respect to the amount of contributions and earnings which, in the absence of an investment election by the participant, are invested by the plan in accordance with regulations prescribed by the Secretary. The regulations under this subparagraph shall provide guidance on the appropriateness of designating default investments that include a mix of asset classes consistent with capital preservation or long-term capital appreciation, or a blend of both.

“(B) **NOTICE REQUIREMENTS.**—

“(i) **IN GENERAL.**—The requirements of this subparagraph are met if each participant—

“(I) receives, within a reasonable period of time before each plan year, a notice explaining the employee’s right under the plan to designate how contributions and earnings will be invested and explaining how, in the absence of any investment election by the participant, such contributions and earnings will be invested, and

“(II) has a reasonable period of time after receipt of such notice and before the beginning of the plan year to make such designation.

“(ii) **FORM OF NOTICE.**—The requirements of clauses (i) and (ii) of section 401(k)(12)(D) of the Internal Revenue Code of 1986 shall apply with respect to the notices described in this subparagraph.”.

(b) **EFFECTIVE DATE.**—

(1) **IN GENERAL.**—The amendments made by this section shall apply to plan years beginning after December 31, 2006.

(2) **REGULATIONS.**—Final regulations under section 404(c)(5)(A) of the Employee Retirement Income Security Act of 1974 (as added by this section) shall be issued no later than 6 months after the date of the enactment of this Act.