

SEC. 507. NOTICE OF FREEDOM TO DIVEST EMPLOYER SECURITIES.

(a) In General- Section 101 of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1021), as amended by this Act, is amended by redesignating subsection (m) as subsection (n) and by inserting after subsection (l) the following:

`(m) Notice of Right To Divest- Not later than 30 days before the first date on which an applicable individual of an applicable individual account plan is eligible to exercise the right under section 204(j) to direct the proceeds from the divestment of employer securities with respect to any type of contribution, the administrator shall provide to such individual a notice--

 `(1) setting forth such right under such section, and

 `(2) describing the importance of diversifying the investment of retirement account assets.

The notice required by this subsection shall be written in a manner calculated to be understood by the average plan participant and may be delivered in written, electronic, or other appropriate form to the extent that such form is reasonably accessible to the recipient.'

(b) Penalties- Section 502(c)(7) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1132(c)(7)) is amended by striking `section 101(i)' and inserting `subsection (i) or (m) of section 101'.

(c) Model Notice- The Secretary of the Treasury shall, within 180 days after the date of the enactment of this subsection, prescribe a model notice for purposes of satisfying the requirements of the amendments made by this section.

(d) Effective Dates-

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

(2) TRANSITION RULE- If notice under section 101(m) of the Employee Retirement Income Security Act of 1974 (as added by this section) would otherwise be required to be provided before the 90th day after the date of the enactment of this Act, such notice shall not be required to be provided until such 90th day.