AMENDMENT NO.  

Purpose: To modify the determination of which plans the at-risk funding rules will apply to and to lengthen the periods over which asset values and interest rates may be smoothed.


S. 1783

To amend the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986 to reform the pension funding rules, and for other purposes.

Referred to the Committee on .

Orderd to be printed

Ordered to lie on the table and to be printed

AMENDMENTS intended to be proposed by Mr. DeWine (for himself and Ms. Mikulski)

Viz:

1 On page 34, strike lines 16 through 22, and insert

2 the following:

3 “(ii) does not provide for the averaging of such values over more than the 3

4 most recent plan years preceding the current plan year, and

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“(iii) does not result in a determination of the value of plan assets which, at any time, is lower than 90 percent or greater than 110 percent of the fair market value of such assets at such time.

On page 39, strike lines 12 through 19, and insert the following:

“(D) CORPORATE BOND YIELD CURVE.—

For purposes of this paragraph—

“(i) IN GENERAL.—The term ‘corporate bond yield curve’ means, with respect to any month, a yield curve which is prescribed by the Secretary of the Treasury for such month and which reflects a 3-year weighted average of yields on investment grade corporate bonds with varying maturities.

“(ii) 3-YEAR WEIGHTED AVERAGE.—

The term ‘3-year weighted average’ means an average determined by using a methodology under which the most recent year is weighted 50 percent, the year preceding such year is weighted 35 percent, and the
second year preceding such year is weight-
ed 15 percent.

On page 48, beginning with line 3, strike all through page 54, line 24, and insert the following:

“(i) Special Rules for At-Risk Plans.—

“(1) Funding Target for Plans in At-Risk Status.—

“(A) In General.—In any case in which a plan is in at-risk status for a plan year, the funding target of the plan for the plan year is equal to the present value of all liabilities to participants and their beneficiaries under the plan for the plan year, as determined by using the additional actuarial assumption described in subparagraph (B).

“(B) Additional Actuarial Assumption.—The actuarial assumptions used in determining the valuation of the funding target shall include an assumption that all participants who will be eligible to elect benefits during the plan year and the 5 succeeding plan years will elect benefits at such times and in such forms as will result in the highest present value of liabilities under subparagraph (A).
“(2) Target Normal Cost of At-risk Plans.—In any case in which a plan is in at-risk status for a plan year, the target normal cost of the plan for such plan year shall be equal to the present value of all benefits which are expected to accrue or be earned under the plan during the plan year, as determined by using the additional actuarial assumption described in paragraph (1)(B).

“(3) Minimum Amount.—In no event shall—

“(A) the at-risk target liability be less than the target liability, as determined without regard to this subsection, or

“(B) the at-risk target normal cost be less than the target normal cost, as determined without regard to this subsection.

“(4) Determination of At-risk Status.—For purposes of this subsection, a plan is in ‘at-risk status’ for a plan year if the funding target attainment percentage (determined without regard to subsection (e)(4)) of the plan for the preceding plan year was less than 60 percent.

“(5) Transition Between Applicable Funding Targets and Between Applicable Target Normal Costs.—
“(A) IN GENERAL.—In any case in which a plan which is in at-risk status for a plan year has been in such status for a consecutive period of fewer than 5 plan years, the applicable amount of the funding target and of the target normal cost shall be, in lieu of the amount determined without regard to this paragraph, the sum of—

“(i) the amount determined under this section without regard to this subsection, plus

“(ii) the transition percentage for such plan year of the excess of the amount determined under this subsection (without regard to this paragraph) over the amount determined under this section without regard to this subsection.

“(B) TRANSITION PERCENTAGE.—For purposes of subparagraph (A), the transition percentage shall be determined in accordance with the following table:

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<th>If the consecutive number of years (including the plan year) the plan is in at-risk status is—</th>
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On page 125, strike lines 8 through 14, and insert the following:

“(ii) does not provide for the averaging of such values over more than the 3 most recent plan years preceding the current plan year, and

“(iii) does not result in a determination of the value of plan assets which, at any time, is lower than 90 percent or greater than 110 percent of the fair market value of such assets at such time.

On page 130, strike lines 3 through 10, and insert the following:

“(D) CORPORATE BOND YIELD CURVE.—

For purposes of this paragraph—

“(i) IN GENERAL.—The term ‘corporate bond yield curve’ means, with respect to any month, a yield curve which is prescribed by the Secretary for such month and which reflects a 3-year weighted average of yields on investment grade corporate bonds with varying maturities.

“(ii) 3-YEAR WEIGHTED AVERAGE.— The term ‘3-year weighted average’ means
an average determined by using a methodology under which the most recent year is weighted 50 percent, the year preceding such year is weighted 35 percent, and the second year preceding such year is weighted 15 percent.

On page 138, beginning with line 15, strike all through page 145, line 11, and insert the following:

“(i) SPECIAL RULES FOR AT-RISK PLANS.—

“(1) FUNDING TARGET FOR PLANS IN AT-RISK STATUS.—

“(A) IN GENERAL.—In any case in which a plan is in at-risk status for a plan year, the funding target of the plan for the plan year is equal to the present value of all liabilities to participants and their beneficiaries under the plan for the plan year, as determined by using the additional actuarial assumption described in subparagraph (B).

“(B) ADDITIONAL ACTUARIAL ASSUMPTION.—The actuarial assumptions used in determining the valuation of the funding target shall include an assumption that all participants who will be eligible to elect benefits dur-
ing the plan year and the 5 succeeding plan
years will elect benefits at such times and in
such forms as will result in the highest present
value of liabilities under subparagraph (A).

“(2) TARGET NORMAL COST OF AT-RISK
PLANS.—In any case in which a plan is in at-risk
status for a plan year, the target normal cost of the
plan for such plan year shall be equal to the present
value of all benefits which are expected to accrue or
be earned under the plan during the plan year, as
determined by using the additional actuarial as-
sumption described in paragraph (1)(B).

“(3) MINIMUM AMOUNT.—In no event shall—

“(A) the at-risk target liability be less than
the target liability, as determined without re-
gard to this subsection, or

“(B) the at-risk target normal cost be less
than the target normal cost, as determined
without regard to this subsection.

“(4) DETERMINATION OF AT-RISK STATUS.—
For purposes of this subsection, a plan is in ‘at-risk
status’ for a plan year if the funding target attain-
ment percentage (determined without regard to sub-
section (e)(4)) of the plan for the preceding plan
year was less than 60 percent.
“(5) Transition between applicable funding targets and between applicable target normal costs.—

“(A) In general.—In any case in which a plan which is in at-risk status for a plan year has been in such status for a consecutive period of fewer than 5 plan years, the applicable amount of the funding target and of the target normal cost shall be, in lieu of the amount determined without regard to this paragraph, the sum of—

“(i) the amount determined under this section without regard to this subsection, plus

“(ii) the transition percentage for such plan year of the excess of the amount determined under this subsection (without regard to this paragraph) over the amount determined under this section without regard to this subsection.

“(B) Transition percentage.—For purposes of subparagraph (A), the transition percentage shall be determined in accordance with the following table:
"If the consecutive number of years (including the plan year) the plan is in at-risk status is—

The transition percentage is—

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