

AMENDMENT NO. \_\_\_\_\_ Calendar 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.

**IN THE SENATE OF THE UNITED STATES—109th Cong., 1st Sess.**

**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 \_\_\_\_\_ and  
ordered 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 aver-  
4 aging of such values over more than the 3  
5 most recent plan years preceding the cur-  
6 rent plan year, and

1           “(iii) does not result in a determina-  
2           tion of the value of plan assets which, at  
3           any time, is lower than 90 percent or  
4           greater than 110 percent of the fair mar-  
5           ket value of such assets at such time.

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

8           “(D) CORPORATE BOND YIELD CURVE.—

9           For purposes of this paragraph—

10           “(i) IN GENERAL.—The term ‘cor-  
11           porate bond yield curve’ means, with re-  
12           spect to any month, a yield curve which is  
13           prescribed by the Secretary of the Treas-  
14           ury for such month and which reflects a 3-  
15           year weighted average of yields on invest-  
16           ment grade corporate bonds with varying  
17           maturities.

18           “(ii) 3-YEAR WEIGHTED AVERAGE.—

19           The term ‘3-year weighted average’ means  
20           an average determined by using a method-  
21           ology under which the most recent year is  
22           weighted 50 percent, the year preceding  
23           such year is weighted 35 percent, and the

1                   second year preceding such year is weight-  
2                   ed 15 percent.

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

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

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

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

16                           “(B) ADDITIONAL ACTUARIAL ASSUMP-  
17 TION.—The actuarial assumptions used in de-  
18 termining the valuation of the funding target  
19 shall include an assumption that all partici-  
20 pants who will be eligible to elect benefits dur-  
21 ing the plan year and the 5 succeeding plan  
22 years will elect benefits at such times and in  
23 such forms as will result in the highest present  
24 value of liabilities under subparagraph (A).

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

9           “(3) MINIMUM AMOUNT.—In no event shall—  
10           “(A) the at-risk target liability be less than  
11 the target liability, as determined without re-  
12 gard to this subsection, or

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

16           “(4) DETERMINATION OF AT-RISK STATUS.—  
17 For purposes of this subsection, a plan is in ‘at-risk  
18 status’ for a plan year if the funding target attain-  
19 ment percentage (determined without regard to sub-  
20 section (e)(4)) of the plan for the preceding plan  
21 year was less than 60 percent.

22           “(5) TRANSITION BETWEEN APPLICABLE FUND-  
23 ING TARGETS AND BETWEEN APPLICABLE TARGET  
24 NORMAL COSTS.—

1           “(A) IN GENERAL.—In any case in which  
2           a plan which is in at-risk status for a plan year  
3           has been in such status for a consecutive period  
4           of fewer than 5 plan years, the applicable  
5           amount of the funding target and of the target  
6           normal cost shall be, in lieu of the amount de-  
7           termined without regard to this paragraph, the  
8           sum of—

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

12                   “(ii) the transition percentage for  
13                  such plan year of the excess of the amount  
14                  determined under this subsection (without  
15                  regard to this paragraph) over the amount  
16                  determined under this section without re-  
17                  gard to this subsection.

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

<b>“If the consecutive number of years (including the plan year) the plan is in at-risk status is—</b>	<b>The transition percentage is—</b>
1 .....	20
2 .....	40
3 .....	60
4 .....	80.



1 an average determined by using a method-  
2 ology under which the most recent year is  
3 weighted 50 percent, the year preceding  
4 such year is weighted 35 percent, and the  
5 second year preceding such year is weight-  
6 ed 15 percent.

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

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

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

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

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21 TION.—The actuarial assumptions used in de-  
22 termining the valuation of the funding target  
23 shall include an assumption that all partici-  
24 pants who will be eligible to elect benefits dur-

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2           years will elect benefits at such times and in  
3           such forms as will result in the highest present  
4           value of liabilities under subparagraph (A).

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9           value of all benefits which are expected to accrue or  
10          be earned under the plan during the plan year, as  
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12          sumption described in paragraph (1)(B).

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

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

20          “(4) DETERMINATION OF AT-RISK STATUS.—

21          For purposes of this subsection, a plan is in ‘at-risk  
22          status’ for a plan year if the funding target attain-  
23          ment percentage (determined without regard to sub-  
24          section (e)(4)) of the plan for the preceding plan  
25          year was less than 60 percent.



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2           ING TARGETS AND BETWEEN APPLICABLE TARGET  
3           NORMAL COSTS.—

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5           a plan which is in at-risk status for a plan year  
6           has been in such status for a consecutive period  
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8           amount of the funding target and of the target  
9           normal cost shall be, in lieu of the amount de-  
10          termined without regard to this paragraph, the  
11          sum of—

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

15                   “(ii) the transition percentage for  
16          such plan year of the excess of the amount  
17          determined under this subsection (without  
18          regard to this paragraph) over the amount  
19          determined under this section without re-  
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22          purposes of subparagraph (A), the transition  
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