

Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010

TITLE II—PENSION FUNDING RELIEF PROVISIONS

Subtitle B—Multiemployer Plans

SEC. 211. ADJUSTMENTS TO FUNDING STANDARD ACCOUNT RULES.

(a) ADJUSTMENTS.—

(1) AMENDMENT TO ERISA.—Section 304(b) of the Employee Retirement Income Security Act of 1974 (29 U.S.C. 1084(b)) is amended by adding at the end the following new paragraph:

“(8) SPECIAL RELIEF RULES.—Notwithstanding any other provision of this subsection—

“(A) AMORTIZATION OF NET INVESTMENT LOSSES.—

“(i) IN GENERAL.—The plan sponsor of a multiemployer plan with respect to which the solvency test under subparagraph (B) is met may elect to treat the portion of any experience loss or gain for a plan year that is attributable to the allocable portion of the net investment losses incurred in either or both of the first two plan years ending on or after June 30, 2008, as an experience loss separate from other experience losses or gains to be amortized in equal annual installments (until fully amortized) over the period —

“(I) beginning with the plan year for which the allocable portion is determined, and

“(II) ending with the last plan year in the 30-plan year period beginning with the plan year following the plan year in which such net investment loss was incurred.

“(ii) COORDINATION WITH EXTENSIONS.—If an election is made under clause (i) for any plan year—

“(I) no extension of the amortization period under clause (i) shall be allowed under subsection (d), and

“(II) if an extension was granted under subsection (d) for any plan year before the plan year for which the election under this subparagraph is made, such extension shall not result in such amortization period exceeding 30 years.

“(iii) DEFINITIONS AND RULES.—For purposes of this subparagraph—

“(I) NET INVESTMENT LOSSES.—

“(aa) IN GENERAL.—The net investment loss incurred by a plan in a plan year is equal to the excess of—

“(AA) the expected value of the assets as of the end of the plan year, over

“(BB) the market value of the assets as of the end of the plan year, including any difference attributable to a criminally fraudulent investment arrangement.

“(bb) EXPECTED VALUE.— For purposes of item (aa), the expected value of the assets as of the end of a plan year is the excess of—

“(AA) the market value of the assets at the beginning of the plan year plus contributions made during the plan year, over

“(BB) disbursements made during the plan year. The amounts described in subitems (AA) and (BB) shall be adjusted with interest at the

valuation rate to the end of the plan year.

“(II) CRIMINALLY FRAUDULENT INVESTMENT ARRANGEMENTS.—The determination as to whether an arrangement is a criminally fraudulent investment arrangement shall be made under rules substantially similar to the rules prescribed by the Secretary of the Treasury for purposes of section 165 of the Internal Revenue Code of 1986.

(III) AMOUNT ATTRIBUTABLE TO ALLOCABLE PORTION OF NET INVESTMENT LOSS.—The amount attributable to the allocable portion of the net investment loss for a plan year shall be an amount equal to the allocable portion of net investment loss for the plan year under subclauses (IV) and (V), increased with interest at the valuation rate determined from the plan year after the plan year in which the net investment loss was incurred.

“(IV) ALLOCABLE PORTION OF NET INVESTMENT LOSSES.—Except as provided in subclause (V), the net investment loss incurred in a plan year shall be allocated among the 5 plan years following the plan year in which the investment loss is incurred in accordance with the following table:

“Plan year after the plan year in which the net investment loss was incurred	Allocable portion of net investment loss
1st.....	1/2
2nd.....	0
3rd	1/6
4th.....	1/6
5th.....	1/6

“(V) SPECIAL RULE FOR PLANS THAT ADOPT LONGER SMOOTHING PERIOD.—If a plan sponsor elects an extended smoothing period for its asset

valuation method under subsection (c)(2)(B), then the allocable portion of net investment loss for the first two plan years following the plan year the investment loss is incurred is the same as determined under subclause (IV), but the remaining 1/2 of the net investment loss is allocated ratably over the period beginning with the third plan year following the plan year the net investment loss is incurred and ending with the last plan year in the extended smoothing period.

“(VI) SPECIAL RULE FOR OVERSTATEMENT OF LOSS.—If, for a plan year, there is an experience loss for the plan and the amount described in subclause (III) exceeds the total amount of the experience loss for the plan year, then the excess shall be treated as an experience gain.

“(VII) SPECIAL RULE IN YEARS FOR WHICH OVERALL EXPERIENCE IS GAIN.—If, for a plan year, there is no experience loss for the plan, then, in addition to amortization of net investment losses under clause (i), the amount described in subclause (III) shall be treated as an experience gain in addition to any other experience gain.

“(B) EXPANDED SMOOTHING PERIOD.—

“(i) IN GENERAL.—A multiemployer plan with respect to which the solvency test under subparagraph (C) is met may change its asset valuation method in a manner which—

“(I) spreads the difference between expected and actual returns for either or both of the first 2 plan years ending on or after June 30, 2008, over a period of not more than 10 years,

“(II) provides that for either or both of the first 2 plan years beginning after June 30, 2008, the value of plan assets at any time shall not be less than 80 percent or greater than 130 percent of

*the fair market value of such assets at such time,
or*

*“(III) makes both changes described in
subclauses (I) and (II) to such method.*

*“(ii) ASSET VALUATION METHODS.—If this
subparagraph applies for any plan year—*

*“(I) the Secretary of the Treasury shall not
treat the asset valuation method of the plan as
unreasonable solely because of the changes in
such method described in clause (i), and*

*“(II) such changes shall be deemed
approved by such Secretary under section
302(d)(1) and section 412(d)(1) of such Code.*

*“(iii) AMORTIZATION OF REDUCTION IN UNFUNDED
ACCRUED LIABILITY.—If this subparagraph and
subparagraph (A) both apply for any plan year, the plan
shall treat any change in valuation method resulting from
the application of this subparagraph as a net experience
loss or gain for purposes of amortization..*

“(C) SOLVENCY TEST.—

*(i) ACTUARY’S CERTIFICATION.—The solvency test
under this paragraph is met only if the plan actuary
certifies that the plan is projected to have sufficient
assets to timely pay expected benefits and anticipated
expenditures over the period described under
subparagraph (ii), taking into account the changes in the
funding standard account under this paragraph. In
making any certification under this subparagraph, the
plan actuary shall use the same actuarial estimates,
assumptions, and methods as those applicable for the
most recent certification under section 305, except that
the plan actuary may take into account benefit reductions
and increases in contribution rates, under either funding*

improvement plans adopted under section 305(c) or under section 432(c) of such Code or rehabilitation plans adopted under section 305(e) or under section 432(e) of such Code, that the plan actuary reasonably anticipates will occur without regard to any change in status of the plan resulting from the election.

(ii) SOLVENCY TESTING PERIOD.—The period described in this subparagraph is:

(I) in the case an election under paragraph (A), 30 years, and

(II) in the case of an election under paragraph (B) but no election under paragraph (A), 15 years.

“(D) RESTRICTION ON BENEFIT INCREASES.—If subparagraph (A) or (B) apply to a multiemployer plan for any plan year, then, in addition to any other applicable restrictions on benefit increases, a plan amendment which is adopted on or after March 10, 2010, and which increases benefits may not go into effect during the period beginning on such date and ending with the second plan year beginning after such date unless—

“(i) the plan actuary certifies that—

“(I) any such increase is paid for out of additional contributions not allocated to the plan immediately before the election to have this paragraph apply to the plan, and

“(II) the plan’s funded percentage and projected credit balances for the first 3 plan years ending on or after such date are reasonably expected to be at least as high as such percentage and balances would have been if the benefit increase had not been adopted, or

“(ii) the amendment is required as a condition of qualification under part I of subchapter D of chapter 1 of

the Internal Revenue Code of 1986 or to comply with other applicable law.

“(D) TIME, FORM, AND MANNER OF ELECTION.—An election under this paragraph shall be made not later than June 30, 2011, and shall be made in such form and manner as the Secretary of the Treasury may prescribe.

“(E) REPORTING.—A plan sponsor of a plan to which this paragraph applies shall—

“(i) give notice of such election to participants and beneficiaries of the plan, and

“(ii) inform the Pension Benefit Guaranty Corporation of such election in such form and manner as the Pension Benefit Guaranty Corporation may prescribe.”.

(2) AMENDMENT TO INTERNAL REVENUE CODE OF 1986.—Section 431(b) is amended by adding at the end the following new paragraph:

[Insert Parallel Code Provisions to above provisions]

(b) EFFECTIVE DATES; TRANSITION RULES.—

(1) IN GENERAL.—The amendments made by this section shall take effect as of the first day of the first plan year beginning after June 30, 2008, except that any election a plan sponsor makes pursuant to this section or the amendments made thereby that affects the plan’s funding standard account for any plan year beginning before October 1, 2009, shall be disregarded for purposes of applying the provisions of section 305 of the Employee Retirement Income Security Act of 1974 and section 432 of the Internal Revenue Code of 1986 to that plan year.

(2) RESTRICTIONS ON BENEFIT INCREASES.— Notwithstanding paragraph (1), the restrictions on plan amendments increasing benefits in sections 304(b)(8)(D) of such Act and 431(b)(8)(D) of such

Code, as added by this section, shall take effect on the date of enactment of this Act.

(3) DEEMED APPROVAL FOR CERTAIN FUNDING METHOD CHANGES.—In the case of a multiemployer plan with respect to which an election has been made under section 304(b)(8) of the Employee Retirement Income Security Act of 1974 (as amended by this section) or section 431(b)(8) of the Internal Revenue Code of 1986 (as so amended)—

(A) any change in the plan’s funding method for a plan year beginning on or after July 1, 2008, and on or before December 31, 2010, from a method that does not establish a base for experience gains and losses to one that does establish such a base shall be treated as approved by the Secretary of the Treasury; and

(B) any resulting funding method change base shall be treated for purposes of amortization as a net experience loss or gain.

(4) TRANSITION RULE FOR CERTIFICATIONS OF PLAN STATUS.

(A) IN GENERAL.—A plan actuary shall not be treated as failing to meet the requirements of section 305(b)(3)(A) of the Employee Retirement Income Security Act of 1974 and section 432(b)(3)(A) of the Internal Revenue Code of 1986 in connection with a certification required under such sections the deadline for which is after the date of the enactment of this Act if the plan actuary makes such certification at any time earlier than 75 days after the date of the enactment of this Act.

(B) REVISION OF PRIOR CERTIFICATION.—

(i) IN GENERAL.—If—

(I) a plan sponsor makes an election under section 304(b)(8) of the Employee Retirement Income Security Act of 1974 and section 431(b)(8)

of the Internal Revenue Code of 1986, or under section 304(c)(2)(B) of such Act and section 432(c)(2)(B) such Code, with respect to a plan for a plan year beginning on or after October 1, 2009; and

(II) the plan actuary's certification of the plan status for such plan year (hereinafter in this subsection referred to as "original certification") did not take into account any election so made, then the plan sponsor may direct the plan actuary to make a new certification with respect to the plan for the plan year which takes into account such election (hereinafter in this subsection referred to as "new certification") if the plan's status under section 305 of such Act and section 432 of such Code would change as a result of such election. Any such new certification shall be treated as the most recent certification referred to in section 304(b)(3)(B)(iii) of such Act and section 431(b)(8)(B)(iii) of such Code.

(C) DUE DATE FOR NEW CERTIFICATION.—Any such new certification shall be made pursuant to section 305(b)(3) of such Act and section 432(b)(3) of such Code; except that any such new certification shall be made not later than 75 days after the date of the enactment of this Act.

(D) NOTICE.—

(i) IN GENERAL.—Except as provided in subparagraph (B), any such new certification shall be treated as the original certification for purposes of section 305(b)(3)(D) of such Act and section 432(b)(3)(D) of such Code.

(ii) NOTICE ALREADY PROVIDED.—In any case in which notice has been provided under such sections with respect to the original certification, not later than 30 days after the new certification is made, the plan sponsor shall provide notice of any change in status under rules similar to the rules such sections.

(E) EFFECT OF CHANGE IN STATUS.—If a plan ceases to be in critical status pursuant to the new certification, then the plan shall, not later than 30 days after the due date described in paragraph (2), cease any restriction of benefit payments, and imposition of contribution surcharges, under section 305 of such Act and section 432 of such Code by reason of the original certification.