108TH CONGRESS
1ST SESSION

H. R. 3108

To amend the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986 to temporarily replace the 30-year Treasury rate with a rate based on long-term corporate bonds for certain pension plan funding requirements and other provisions, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

SEPTEMBER 17, 2003

Mr. BOEHNER (for himself, Mr. THOMAS, Mr. GEORGE MILLER of California, Mr. RANGEL, Mr. SAM JOHNSON of Texas, and Mr. PORTMAN) introduced the following bill; which was referred to the Committee on Education and the Workforce, and in addition to the Committee on Ways and Means, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

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A BILL

To amend the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986 to temporarily replace the 30-year Treasury rate with a rate based on long-term corporate bonds for certain pension plan funding requirements and other provisions, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ''Pension Funding Equity Act of 2003''.

SEC. 2. FINDINGS; SENSE OF CONGRESS.

(a) FINDINGS.—The Congress finds the following:

(1) The defined benefit pension system has recently experienced severe difficulties due to an unprecedented economic climate of low interest rates, market losses, and an increased number of retirees.

(2) The discontinuation of the issuance of 30-year Treasury securities has made the interest rate on such securities an inappropriate and inaccurate benchmark for measuring pension liabilities.

(3) Using the current 30-year Treasury bond interest rate has artificially inflated pension liabilities and therefore adversely affected both employers offering defined benefit pension plans and working families who rely on the safe and secure benefits that these plans provide.

(4) There is consensus among pension experts that an interest rate based on long-term, conservative corporate bonds would provide a more accurate benchmark for measuring pension plan liabilities.

(5) A temporary replacement for the 30-year Treasury bond interest rate should be enacted while

the Congress evaluates permanent and comprehensive funding reforms.

(b) SENSE OF CONGRESS.—It is the sense of the Congress that the Congress must ensure the financial health of the defined benefit pension system by working to promptly implement—

(1) a permanent replacement for the pension discount rate used for defined benefit pension plan calculations, and

(2) comprehensive funding reforms aimed at achieving accurate and sound pension funding to enhance retirement security for workers who rely on defined pension plan benefits, to reduce the volatility of contributions, to provide plan sponsors with predictability for plan contributions, and to ensure adequate disclosures for plan participants in the case of underfunded pension plans.

SEC. 3. TEMPORARY REPLACEMENT OF 30-YEAR TREASURY RATE.

(a) EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974.—

(1) DETERMINATION OF PERMISSIBLE RANGE.—

(A) IN GENERAL.—Clause (ii) of section 302(b)(5)(B) of the Employee Retirement Income Security Act of 1974 is amended by redesignating subclause (II) as subclause (III) and by inserting after subclause (I) the following new subclause:

"(II) SPECIAL RULE FOR YEARS 2004 AND 2005.—In the case of plan years beginning after December 31, 2003, and before January 1, 2006, the term 'permissible range' means a rate of interest which is not above, and not more than 10 percent below, the weighted average of the rates of interest on amounts conservatively invested in long-term corporate bonds during the 4-year period ending on the last day before the beginning of the plan year. Such rates shall be determined by the Secretary on the basis of one or more indices selected periodically by the Secretary, and the Secretary shall make the permissible range publicly available.".

(B) SECRETARIAL AUTHORITY.—Subclause (III) of section 302(b)(5)(B)(ii) of such Act, as redesignated by subparagraph (A), is amended—

(i) by inserting ''or (II)'' after ''subclause (I)'' the first place it appears, and

(ii) by striking ''subclause (I)'' the second place it appears and inserting ''such subclause''.

(C) CONFORMING AMENDMENT.—Subclause (I) of section 302(b)(5)(B)(ii) of such Act is amended by inserting ''or (III)'' after ''subclause (II)''.

(2) DETERMINATION OF CURRENT LIABILITY.—Clause (i) of section 302(d)(7)(C) of such Act is amended by adding at the end the following new subclause:

''(IV) SPECIAL RULE FOR 2004 AND 2005.—For plan years beginning in 2004 or 2005, notwithstanding subclause (I), the rate of interest used to determine current liability under this subsection shall be the rate of interest under subsection (b)(5).''.

(3) PBGC.—Clause (iii) of section 4006(a)(3)(E) of such Act is amended by adding at the end the following new subclause:

''(V) In the case of plan years beginning after December 31, 2003, and before January 1, 2006, the annual yield taken into account under subclause (II) shall be the annual yield determined by the Secretary of the Treasury on amounts conservatively invested in long-term corporate bonds for the month preceding the month in which the plan year begins. For purposes of the preceding sentence, the Secretary of the Treasury shall determine such yield on the basis of one or more indices selected periodically by the Secretary, and the Secretary shall make such yield publicly available.''.

(b) INTERNAL REVENUE CODE OF 1986.—

(1) DETERMINATION OF PERMISSIBLE RANGE.—

(A) IN GENERAL.—Clause (ii) of section 412(b)(5)(B) of the Internal Revenue Code of 1986 is amended by redesignating subclause (II) as subclause (III) and by inserting after subclause (I) the following new subclause:

``(II) SPECIAL RULE FOR YEARS 2004 AND 2005.—In the case of plan years beginning after December 31, 2003, and before January 1, 2006, the term 'permissible range' means a rate of interest which is not above, and not more than 10 percent below, the weighted average of the rates of interest on amounts conservatively invested in long-term corporate bonds during the 4-year period ending on the last day before the beginning of the plan year. Such rates shall be determined by the Secretary on the basis of one or more indices selected periodically by the Secretary, and the Secretary shall make the permissible range publicly available.''.

(B) SECRETARIAL AUTHORITY.—Subclause (III) of section 412(b)(5)(B)(ii) of such Code, as redesignated by subparagraph (A), is amended—

(i) by inserting ''or (II)'' after ''subclause (I)'' the first place it appears, and

(ii) by striking ''subclause (I)'' the second place it appears and inserting ''such subclause''.

(C) CONFORMING AMENDMENT.—Subclause (I) of section 412(b)(5)(B)(ii) of such Code is amended by inserting ''or (III)'' after ''subclause (II)''.

(2) DETERMINATION OF CURRENT LIABILITY.—Clause (i) of section 412(l)(7)(C) of such Code is amended by adding at the end the following new subclause:

"(IV) SPECIAL RULE FOR 2004 AND 2005.—For plan years beginning in 2004 or 2005, notwithstanding subclause (I), the rate of interest used to determine current liability under this subsection shall be the rate of interest under subsection (b)(5).".

(3) CONFORMING AMENDMENT.—Section 415(b)(2)(E)(ii) of such Code is amended by inserting before the period at the end ", except that in the case of years beginning in 2004 or 2005, '5.5 percent' shall be substituted for '5 percent' in clause (i)".

(c) PROVISIONS RELATING TO PLAN AMENDMENTS.—

(1) IN GENERAL.—If this subsection applies to any plan or annuity contract amendment—

(A) such plan or contract shall be treated as being operated in accordance with the terms of the plan or contract during the period described in paragraph (2)(B)(i), and

(B) except as provided by the Secretary of the Treasury, such plan shall not fail to meet the requirements of section 411(d)(6) of the Internal Revenue Code of 1986 and section 204(g) of the Employee Retirement Income Security Act of 1974 by reason of such amendment.

(2) AMENDMENTS TO WHICH SECTION APPLIES.—

(A) IN GENERAL.—This subsection shall apply to any amendment to any plan or annuity contract which is made—

(i) pursuant to any amendment made by this section, and

(ii) on or before the last day of the first plan year beginning on or after January 1, 2006.

In the case of a governmental plan (as defined in section 414(d) of the Internal Revenue Code of 1986), this paragraph shall be applied by substituting ''2008'' for ''2006''.

(B) CONDITIONS.—This subsection shall not apply to any plan or annuity contract amendment unless—

(i) during the period beginning on the date the amendment described in subparagraph (A)(i) takes effect and ending on the date described in subparagraph (A)(ii) (or, if earlier, the date the plan or contract amendment is adopted), the plan or contract is operated as if such plan or contract amendment were in effect; and

(ii) such plan or contract amendment applies retroactively for such period.

(d) EFFECTIVE DATE.—

(1) IN GENERAL.—Except as provided in paragraphs (2) and (3), the amendments made by this section shall apply to years beginning after December 31, 2003.

(2) LOOKBACK RULES.—For purposes of applying subsections (l)(9)(B)(ii) and (m)(1) of section 412 of the Internal Revenue Code of 1986 and subsections (d)(9)(B)(ii) and (e)(1) of section 302 of the Employee Retirement Income Security Act of 1974 to plan years beginning after December 31, 2003, the amendments made by this section may be applied as if such amendments had been in effect for all years beginning before such date.

(3) NO REDUCTION REQUIRED.—In the case of any participant or beneficiary, the amount payable under any form of benefit subject to section 417(e)(3) of the Internal Revenue Code of 1986 shall not be required to be reduced below the amount determined as of the last day of the last plan year beginning before January 1, 2004, merely because of the amendments made by subsection (b)(3).

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