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Pension Funding Equity Act of 2003 (Engrossed as Agreed to or Passed by House)

108th CONGRESS

1st Session

H. R. 3108

AN ACT

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.

HR 3108 EH

108th CONGRESS

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H. R. 3108

AN ACT

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).'

(c) EFFECTIVE DATE-

(1) IN GENERAL- Except as provided in paragraph (2), 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.

Passed the House of Representatives October 8, 2003.

Attest:

Clerk.

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