

108TH CONGRESS
1ST SESSION

H. R. 2719

To provide special funding requirements for certain pension plans maintained
by commercial passenger air carriers.

IN THE HOUSE OF REPRESENTATIVES

JULY 14, 2003

Mr. CAMP (for himself, Mr. POMEROY, Mr. RAMSTAD, Mr. SANDLIN, Mr. MATSUI, Mr. KLECZKA, and Mr. TANNER) 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

A BILL

To provide special funding requirements for certain pension
plans maintained by commercial passenger air carriers.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Air Line Pension Act
5 of 2003”.

6 **SEC. 2. MODIFICATION OF FUNDING REQUIREMENTS FOR**
7 **CERTAIN PLANS.**

8 (a) FUNDING RULES FOR CERTAIN PLANS.—

1 (1) IN GENERAL.—Notwithstanding any provi-
2 sion of the Internal Revenue Code of 1986 or the
3 Employee Retirement Income Security Act of 1974
4 to the contrary, the provisions of subsections (b),
5 (c), and (d) shall apply for any plan year beginning
6 after December 27, 2002, in the case of a defined
7 benefit plan—

8 (A) that is established and maintained by
9 a commercial passenger air carrier; and

10 (B) that has a funded percentage of less
11 than 80 percent as of January 1, 2003.

12 (2) FUNDED PERCENTAGE.—For purposes of
13 this section, the term “funded percentage” means
14 the quotient (expressed as a percentage) derived by
15 dividing—

16 (A) the market value of plan assets as of
17 January 1, 2003 (excluding receivable contribu-
18 tions), by

19 (B) the current liability of the plan as of
20 January 1, 2003.

21 (3) INTEREST RATE.—In determining current
22 liability for purposes of paragraph (2), the assumed
23 interest rate shall be 6.65 percent.

24 (4) ESTIMATION OF CURRENT LIABILITY.—If
25 the valuation date for the plan is not January 1,

1 2003, the current liability as of January 1, 2003,
2 shall be estimated based on generally accepted actu-
3 arial principles and practices.

4 (b) MORATORIUM ON DEFICIT REDUCTION CON-
5 TRIBUTION.—

6 (1) IN GENERAL.—In applying section
7 412(l)(9)(A) of such Code and section 302(d)(9)(A)
8 of such Act with respect to a plan described in sub-
9 section (a)(1), the funded current liability percent-
10 age of the plan shall be treated as not less than 90
11 percent for plan years beginning after December 27,
12 2002 and before December 27, 2007.

13 (2) TERMINATION OF MORATORIUM IN CERTAIN
14 CASES.—If the funded current liability percentage of
15 the plan, without application of paragraph (1), is 90
16 percent or greater during any plan year beginning
17 after December 27, 2002 and before December 27,
18 2007, paragraph (1) shall cease to apply to the plan
19 for plan years beginning with or after such plan
20 year.

21 (3) EXTENSION OF AMORTIZATION PERIODS.—
22 For plan years for which paragraph (1) applies in
23 the case of the plan, net experience gains and net
24 experience losses shall be amortized under sections
25 412(b)(2)(B)(iv) and 412(b)(3)(B)(ii) of such Code

(respectively) and sections 302(b)(2)(B)(iv) and 302(b)(3)(B)(ii) of such Act (respectively), over a period of 15 plan years.

(4) OPTION TO COMBINE OR TO OFFSET AMORTIZATION BASES.—For the first plan year for which paragraph (1) applies with respect to the plan, amounts required to be amortized under paragraphs (2) and (3) of section 412(b) of such Code and paragraphs (2) and (3) of section 302(b) of such Act may be combined into one amount under such sections, and may be offset against other amounts required to be amortized under such sections, with the resulting amount in either case to be amortized over a period of 15 plan years.

(c) AMORTIZATION OF 2008 UNFUNDED CURRENT LIABILITY.—

(1) IN GENERAL.—In such form and manner as the Secretary of the Treasury may prescribe, the sponsor of a plan described in subsection (a)(1) may make a one-time, irrevocable election with the Secretary of the Treasury to amortize the unfunded current liability for the first plan year beginning after December 27, 2007, on an interest-only basis for the first 5 plan years (beginning with such first plan year) and thereafter in equal annual install-

ments over a period of 15 plan years (beginning with the first plan year after December 27, 2012).

(2) DETERMINATION OF 2008 UNFUNDED CURRENT LIABILITY IN CALCULATING DEFICIT REDUCTION CONTRIBUTION AFTER MORATORIUM ENDS.—If the plan sponsor makes an election under paragraph (1) with respect to the plan, the unfunded current liability of the plan for the first plan year after December 27, 2007, shall be calculated as follows:

(A) such unfunded current liability shall equal the unfunded current liability as of the first day of such first plan year, and

(B) such unfunded current liability shall be calculated using the actuarial value of assets as of the first day of such first plan year.

(3) USE OF 2008 UNFUNDED CURRENT LIABILITY IN CALCULATING DEFICIT REDUCTION AFTER MORATORIUM ENDS.—If the plan sponsor makes an election under paragraph (1) with respect to the plan, the plan's unfunded old liability, for purposes of section 412(l) of such Code and section 302(l) of such Act, shall be deemed equal to the unfunded current liability calculated under paragraph (2) for the first plan year after December 27, 2007, and the plan's unfunded old liability amount for any plan

1 year, for purposes of section 412(l) of such Code
2 and section 302(l) of such Act, shall be the amount
3 necessary to amortize the unfunded old liability
4 under the plan as described in paragraph (1).

5 (4) CESSATION OF MODIFICATIONS.—If the
6 funded current liability percentage of the plan, de-
7 termined without regard to this section, is 90 per-
8 cent or greater for any plan year after December 27,
9 2002, this subsection shall cease to apply to the plan
10 for plan years beginning with or after such plan
11 year.

12 (d) RECOGNITION OF WAIVER IN DEFICIT REDUC-
13 TION CONTRIBUTION.—For any plan described in sub-
14 section (a)(1), the amount referred to in clause (ii) of sec-
15 tion 412(l)(8)(A) of such Code and section 302(d)(8)(A)
16 of such Act shall be deemed to be an amount equal to
17 the sum of—

18 (1) the value of the plan's assets determined
19 under section 412(c)(2) of such Code and section
20 302(c)(2) of such Act, and

21 (2) the unamortized portion of any waived
22 funding deficiency.

1 **SEC. 3. RESTORATION OF CERTAIN PLANS TERMINATING**
2 **IN 2003.**

3 (a) IN GENERAL.—Notwithstanding any provision of
4 the Internal Revenue Code of 1986 or the Employee Re-
5 tirement Income Security Act of 1974, the provisions of
6 subsection (b) shall apply to any defined benefit plan—

7 (1) that is maintained by a commercial pas-
8 senger air carrier,

9 (2) that is maintained for the benefit of such
10 carrier's employees pursuant to a collective bar-
11 gaining agreement, and

12 (3) that terminated during the calendar year
13 2003.

14 (b) RESTORATION OF PLAN.—Not later than Decem-
15 ber 31, 2003, the Pension Benefit Guaranty Corporation
16 shall restore any plan described in paragraph (1) to the
17 plan's pre-termination status and the control of the plan's
18 assets and liabilities shall be transferred to the employer,
19 unless the collective bargaining agreement provides that
20 the plan should not be restored.

21 (c) EXCLUSION OF EXPECTED INCREASE IN CUR-
22 RENT LIABILITY.—In applying section 412(l)(1)(A)(i) of
23 such Code and section 302(d)(1)(A)(i) of such Act with
24 respect to a plan restored under subsection (b), any ex-
25 pected increase in current liability due to benefits accruing
26 during each plan year as described in section 412(1)(2)(C)

1 of such Code and section 302(d)(2)(C) of such Act shall
 2 be excluded.

3 (d) AMORTIZATION OF UNFUNDED AMOUNTS UNDER
 4 RESTORATION PAYMENT SCHEDULE.—

5 (1) 2004 UNFUNDED ACCRUED LIABILITY.—

6 (A) IN GENERAL.—In the case of a plan
 7 restored under subsection (b)—

8 (i) the initial post-restoration valu-
 9 ation date for a plan described in sub-
 10 section (a) shall be January 1, 2004,

11 (ii) the initial restoration amortization
 12 base for a plan described in subsection (a)
 13 shall be an amount equal to the excess
 14 of—

15 (I) the accrued benefit liabilities
 16 returned by the Corporation, over

17 (II) the market value of plan as-
 18 sets returned by the Corporation, and

19 (iii) the initial restoration amortiza-
 20 tion base shall be amortized in level annual
 21 installments over a period of 30 years after
 22 the initial post-restoration valuation date,
 23 and the funding standard account of the
 24 plan under section 412 of such Code and

1 section 302 of such Act shall be charged
2 with such installments.

3 (B) OTHER SPECIAL FUNDING RULES RE-
4 MAIN APPLICABLE.—At the election of the plan
5 sponsor, the provisions of subsections (b), (c),
6 and (d) of section 2 shall apply with respect to
7 the plan.

8 (2) RULES OF SPECIAL APPLICATION.—In ap-
9 plying the 30-year amortization described in para-
10 graph (1)(A)—

11 (A) the assumed interest rate shall be the
12 valuation interest rate used to determine the
13 accrued liability under section 412(c) of such
14 Code and section 302(c) of such Act,

15 (B) the actuarial value of assets as of the
16 initial post-restoration valuation date shall be
17 reset to the market value of assets with a 5-
18 year phase-in of unexpected investment gains or
19 losses on a prospective basis, and

20 (C) for plans using the frozen initial liabil-
21 ity (FIL) funding method in accordance with
22 section 412(c) of such Code and section 302(c)
23 of such Act, the initial unfunded liability used
24 to determine normal cost shall be reset to the
25 initial restoration amortization base.

1 (e) QUARTERLY CONTRIBUTIONS.—The require-
 2 ments of section 412(m) of such Code and section 302(e)
 3 of such Act shall not apply to a plan restored under sub-
 4 section (b) until the plan year beginning on the initial
 5 post-restoration valuation date. The required annual pay-
 6 ment for that year shall be the lesser of—

7 (1) the amount determined under section
 8 412(m)(4)(B)(i) of such Code and section
 9 302(e)(4)(B)(i) of such Act, or

10 (2) 100 percent of the amount required to be
 11 contributed under the plan for the plan year begin-
 12 ning January 1, 2003 and ending on the date of
 13 plan termination.

14 (f) RESETTING OF FUNDING STANDARD ACCOUNT
 15 BALANCES.—In the case of a plan restored under sub-
 16 section (b), any accumulated funding deficiency or credit
 17 balance in the funding standard account under section 412
 18 of such Code or section 302 of such Act shall be set equal
 19 to zero as of the initial post-restoration valuation date.

20 **SEC. 4. PBGC LIABILITY LIMITED.**

21 In the case of any plan—

22 (1) which is described in section 2(a)(1), and
 23 which terminates at a time when section 2(b)(1) ap-
 24 plies to the plan, or at a time when the unfunded
 25 current liability of the plan for the first plan year

1 after December 27, 2007, is being amortized on an
2 interest-only basis under section 2(c), or

3 (2) which is described in section 3(a), which is
4 restored pursuant to section 3(b), and which subse-
5 quently terminates with a date of plan termination
6 prior to the end of the fifth plan year beginning
7 after December 27, 2007,

8 section 4022 of the Employee Retirement Income Security
9 Act of 1974 shall be applied as if the plan had been
10 amended to provide that participants would receive no
11 credit for benefit accrual purposes under the plan for serv-
12 ice on and after the first day of the plan year beginning
13 after the date of the enactment of this Act.

14 **SEC. 5. EFFECTIVE DATE.**

15 The provisions of this Act shall apply to plan years
16 beginning after December 27, 2002.

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