

109TH CONGRESS
1ST SESSION

H. R. 4052

To amend the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986 to protect pension benefits of employees in defined benefit plans and to direct the Secretary of the Treasury to enforce the age discrimination requirements of the Internal Revenue Code of 1986.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 7, 2005

Mr. SANDERS (for himself, Mr. GUTKNECHT, Mr. GEORGE MILLER of California, Mr. HINCHEY, Mr. DAVIS of Illinois, Ms. LEE, Mr. BISHOP of New York, Ms. WOOLSEY, Mr. EMANUEL, Mr. MURTHA, Mr. TAYLOR of Mississippi, Ms. BORDALLO, Mr. OBERSTAR, Mr. BRADY of Pennsylvania, Mr. DEFazio, Mrs. MALONEY, Mr. BROWN of Ohio, Mr. HOLT, Mr. BERRY, Mr. MARKEY, Mr. GRIJALVA, Ms. KILPATRICK of Michigan, Mr. LANTOS, Mr. FILNER, Mr. UDALL of New Mexico, Mr. MCGOVERN, Mr. KENNEDY of Rhode Island, Mr. FRANK of Massachusetts, Mr. VAN HOLLEN, Mr. DOYLE, Mr. PAYNE, Ms. LINDA T. SÁNCHEZ of California, Ms. MILLENDER-MCDONALD, Mr. OLVER, Mr. PALLONE, Ms. NORTON, Ms. SCHAKOWSKY, Mr. DOGGETT, Mr. EVANS, Mr. VISCLOSKY, Mr. MEEK of Florida, Mr. WEXLER, Mr. BOEHLERT, Mr. MEEKS of New York, Mr. TIERNEY, Mr. ENGEL, Mr. CONYERS, Ms. ESHOO, Mr. ALLEN, Ms. EDDIE BERNICE JOHNSON of Texas, Mr. RUSH, Mr. LYNCH, Mrs. NAPOLITANO, Ms. JACKSON-LEE of Texas, Mr. STRICKLAND, Mr. ROSS, Mr. SCHIFF, Ms. SLAUGHTER, Mr. MEEHAN, Mr. BLUMENAUER, Mr. MICHAUD, Mr. KILDEE, Mrs. CAPPS, Ms. KAPTUR, Mr. CASE, Ms. MCCOLLUM of Minnesota, Mr. UDALL of Colorado, Mr. KUCINICH, Mr. CUMMINGS, Mr. SCOTT of Virginia, and Ms. DELAURO) 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

1 September 19, 1991) which relates to the allocation of in-
2 terest adjustments through normal retirement age under
3 a cash balance plan, as such preamble is and has been
4 since its adoption without the force of law.

5 **SEC. 3. PROTECTION OF PARTICIPANTS FROM CONVER-**
6 **SIONS TO HYBRID DEFINED BENEFIT PLANS.**

7 (a) ELECTION TO MAINTAIN RATE OF ACCRUAL IN
8 EFFECT BEFORE PLAN AMENDMENT.—

9 (1) AMENDMENT TO ERISA.—Section 204(b)(1)
10 of the Employee Retirement Income Security Act of
11 1974 (29 U.S.C. 1054(b)(1)) is amended by adding
12 at the end the following new subparagraph:

13 “(I)(i) Notwithstanding the preceding subpara-
14 graphs, in the case of a plan amendment to a defined ben-
15 efit plan—

16 “(I) which has the effect of converting the plan
17 to a plan under which the accrued benefit is ex-
18 pressed to participants and beneficiaries as an
19 amount other than an annual benefit commencing at
20 normal retirement age (or which has a similar effect
21 as determined under regulations issued under clause
22 (iv)), and

23 “(II) which has the effect of reducing the rate
24 of future benefit accrual of 1 or more participants,
25 such plan shall be treated as not satisfying the re-

1 requirements of this paragraph unless such plan meets
2 the requirements of clause (ii).

3 “(ii) A plan meets the requirements of this clause if
4 the plan provides each participant who has attained 40
5 years of age or 10 years of service (as determined under
6 section 203) under the plan at the time such amendment
7 takes effect with—

8 “(I) notice of the plan amendment indicating
9 that it has such effect, including a comparison of the
10 present and projected values of the accrued benefit
11 determined both with and without regard to the plan
12 amendment, and

13 “(II) an election upon retirement to either re-
14 ceive benefits under the terms of the plan as in ef-
15 fect at the time of retirement or to receive benefits
16 under the terms of the plan as in effect immediately
17 before the effective date of such plan amendment
18 (taking into account all benefit accruals under such
19 terms since such date).

20 “(iii) For purposes of clause (i), an accrued benefit
21 shall include any early retirement benefit or retirement-
22 type subsidy (within the meaning of subsection (g)(2)(A)),
23 but only with respect to a participant who satisfies (either
24 before or after the effective date of the amendment) the

1 conditions for the benefit or subsidy under the terms of
2 the plan as in effect immediately before such date.

3 “(iv) The Secretary shall issue regulations under
4 which any plan amendment which has an effect similar
5 to the effect described in clause (i)(I) shall be treated as
6 a plan amendment described in clause (i)(I). Such regula-
7 tions may provide that if a plan sponsor represents in com-
8 munications to participants and beneficiaries that a plan
9 amendment has an effect described in the preceding sen-
10 tence, such plan amendment shall be treated as a plan
11 amendment described in clause (i)(I).”.

12 (2) AMENDMENT TO INTERNAL REVENUE
13 CODE.—Section 411(b)(1) of the Internal Revenue
14 Code of 1986 (relating to accrued benefit require-
15 ments for defined benefit plans) is amended by add-
16 ing at the end the following new subparagraph:

17 “(I) ELECTION TO MAINTAIN RATE OF AC-
18 CRUAL IN EFFECT BEFORE CERTAIN PLAN
19 AMENDMENTS.—

20 “(i) IN GENERAL.—Notwithstanding
21 the preceding subparagraphs, in the case
22 of a plan amendment to a defined benefit
23 plan—

24 “(I) which has the effect of con-
25 verting the plan to a plan under which

1 the accrued benefit is expressed to
2 participants and beneficiaries as an
3 amount other than an annual benefit
4 commencing at normal retirement age
5 (or which has a similar effect as de-
6 termined under regulations issued
7 under clause (iv)), and

8 “(II) which has the effect of re-
9 ducing the rate of future benefit ac-
10 crual of 1 or more participants, such
11 plan shall be treated as not satisfying
12 the requirements of this paragraph
13 unless such plan meets the require-
14 ments of clause (ii).

15 “(ii) REQUIREMENTS.—A plan meets
16 the requirements of this clause if the plan
17 provides each participant who has attained
18 40 years of age or 10 years of service (as
19 determined under subsection (a)) under
20 the plan at the time such amendment
21 takes effect with—

22 “(I) notice of the plan amend-
23 ment indicating that it has such ef-
24 fect, including a comparison of the
25 present and projected values of the

1 accrued benefit determined both with
2 and without regard to the plan
3 amendment, and

4 “(II) an election upon retirement
5 to either receive benefits under the
6 terms of the plan as in effect at the
7 time of retirement or to receive bene-
8 fits under the terms of the plan as in
9 effect immediately before the effective
10 date of such plan amendment (taking
11 into account all benefit accruals under
12 such terms since such date).

13 “(iii) TREATMENT OF EARLY RETIRE-
14 MENT BENEFITS AND RETIREMENT-TYPE
15 SUBSIDIES.—For purposes of clause (i), an
16 accrued benefit shall include any early re-
17 tirement benefit or retirement-type subsidy
18 (within the meaning of subsection
19 (d)(6)(B)(i)), but only with respect to a
20 participant who satisfies (either before or
21 after the effective date of the amendment)
22 the conditions for the benefit or subsidy
23 under the terms of the plan as in effect
24 immediately before such date.

1 “(iv) REGULATIONS.—The Secretary
2 shall issue regulations under which any
3 plan amendment which has an effect simi-
4 lar to the effect described in clause (i)(I)
5 shall be treated as a plan amendment de-
6 scribed in clause (i)(I). Such regulations
7 may provide that if a plan sponsor rep-
8 resents in communications to participants
9 and beneficiaries that a plan amendment
10 has an effect described in the preceding
11 sentence, such plan amendment shall be
12 treated as a plan amendment described in
13 clause (i)(I).”.

14 (b) EFFECTIVE DATE AND RELATED RULES.—

15 (1) IN GENERAL.—The amendments made by
16 this section apply to plan amendments taking effect
17 before, on, or after the date of the enactment of this
18 Act.

19 (2) SPECIAL RULE.—In the case of a plan
20 amendment taking effect before 90 days after the
21 date of the enactment of this Act, the requirements
22 of section 204(b)(1)(I) of the Employee Retirement
23 Income Security Act of 1974 (as added by this sec-
24 tion) and section 411(b)(1)(I) of the Internal Rev-
25 enue Code of 1986 (as added by this section) shall

1 be treated as satisfied in connection with such plan
2 amendment, in the case of any participant described
3 in such sections 204(b)(1)(I) and 411(b)(1)(I) in
4 connection with such plan amendment, if, as of the
5 end of such 90-day period—

6 (A) the notice described in clause (i)(I) of
7 such section 204(b)(1)(I) and clause (i)(I) of
8 such section 411(b)(1)(I) in connection with
9 such plan amendment has been provided to
10 such participant, and

11 (B) the plan provides for the election de-
12 scribed in clause (i)(II) of such section
13 204(b)(1)(I) and clause (i)(II) of such section
14 411(b)(1)(I) in connection with such partici-
15 pant's retirement under the plan.

16 **SEC. 4. PREVENTION OF WEARING AWAY OF EMPLOYEE'S**
17 **ACCRUED BENEFIT.**

18 (a) AMENDMENT TO ERISA.—Section 204(g) of the
19 Employee Retirement Income Security Act of 1974 (29
20 U.S.C. 1054(g)) is amended by adding at the end the fol-
21 lowing new paragraph:

22 “(6)(A) For purposes of paragraph (1), an applicable
23 plan amendment adopted by a large defined benefit plan
24 shall be treated as reducing accrued benefits of a partici-
25 pant if, under the terms of the plan after the adoption

1 of the amendment, the accrued benefit of the participant
2 may at any time be less than the sum of—

3 “(i) the participant’s accrued benefit for years
4 of service before the effective date of the amend-
5 ment, determined under the terms of the plan as in
6 effect immediately before the effective date, plus

7 “(ii) the participant’s accrued benefit deter-
8 mined under the formula applicable to benefit accru-
9 als under the current plan as applied to years of
10 service after such effective date.

11 “(B) For purposes of this paragraph—

12 “(i) The term ‘applicable plan amendment’
13 means a plan amendment which has the effect of
14 converting the plan to a plan under which the ac-
15 crued benefit is expressed to participants and bene-
16 ficiaries as an amount other than an annual benefit
17 commencing at normal retirement age (or which has
18 a similar effect as determined under regulations of
19 the Secretary).

20 “(ii) The term ‘large defined benefit plan’
21 means any defined benefit plan which had 100 or
22 more participants who had accrued a benefit under
23 the plan (whether or not vested) as of the last day
24 of the plan year preceding the plan year in which
25 the plan amendment becomes effective.

1 “(iii) An accrued benefit shall include any early
2 retirement benefit or retirement-type subsidy (within
3 the meaning of paragraph (2)(A)), but only with re-
4 spect to a participant who satisfies (either before or
5 after the effective date of the amendment) the condi-
6 tions for the benefit or subsidy under the terms of
7 the plan as in effect immediately before such date.”.

8 (b) AMENDMENT TO INTERNAL REVENUE CODE.—
9 Section 411(d)(6) of the Internal Revenue Code of 1986
10 (relating to accrued benefit may not be decreased by
11 amendment) is amended by adding at the end the fol-
12 lowing new subparagraph:

13 “(F) TREATMENT OF PLAN AMENDMENTS
14 WEARING AWAY ACCRUED BENEFIT.—

15 “(i) IN GENERAL.—For purposes of
16 subparagraph (A), an applicable plan
17 amendment adopted by a large defined
18 benefit plan shall be treated as reducing
19 accrued benefits of a participant if, under
20 the terms of the plan after the adoption of
21 the amendment, the accrued benefit of the
22 participant may at any time be less than
23 the sum of—

24 “(I) the participant’s accrued
25 benefit for years of service before the

1 effective date of the amendment, de-
2 termined under the terms of the plan
3 as in effect immediately before the ef-
4 fective date, plus

5 “(II) the participant’s accrued
6 benefit determined under the formula
7 applicable to benefit accruals under
8 the current plan as applied to years of
9 service after such effective date.

10 “(ii) DEFINITIONS.—For purposes of
11 this subparagraph—

12 “(I) APPLICABLE PLAN AMEND-
13 MENT.—The term ‘applicable plan
14 amendment’ means a plan amendment
15 which has the effect of converting the
16 plan to a plan under which the ac-
17 crued benefit is expressed to partici-
18 pants and beneficiaries as an amount
19 other than an annual benefit com-
20 mencing at normal retirement age (or
21 which has a similar effect as deter-
22 mined under regulations of the Sec-
23 retary).

24 “(II) LARGE DEFINED BENEFIT
25 PLAN.—The term ‘large defined ben-

1 efit plan’ means any defined benefit
2 plan which had 100 or more partici-
3 pants who had accrued a benefit
4 under the plan (whether or not vest-
5 ed) as of the last day of the plan year
6 preceding the plan year in which the
7 plan amendment becomes effective.

8 “(III) PROTECTED ACCRUED
9 BENEFIT.—An accrued benefit shall
10 include any early retirement benefit or
11 retirement-type subsidy (within the
12 meaning of subparagraph (B)(i)), but
13 only with respect to a participant who
14 satisfies (either before or after the ef-
15 fective date of the amendment) the
16 conditions for the benefit or subsidy
17 under the terms of the plan as in ef-
18 fect immediately before such date.”.

19 (c) EFFECTIVE DATE AND RELATED RULES.—

20 (1) IN GENERAL.—Except as provided in para-
21 graph (2), the amendments made by this section
22 apply to plan amendments taking effect before, on,
23 or after the date of the enactment of this Act.

24 (2) SPECIAL RULE.—Notwithstanding para-
25 graph (1), the amendments made by this section

1 shall not apply in connection with any participant
2 with respect to any plan amendment which has
3 taken effect before 90 days after the date of the en-
4 actment of this Act if, as of the end of such 90-day
5 period, the plan provides that the participant's ac-
6 crued benefit shall at no time be less than the sum
7 described in section 204(g)(6)(A) of the Employee
8 Retirement Income Security Act of 1974 (as added
9 by this section) or section 411(d)(6)(F)(i) of the In-
10 ternal Revenue Code of 1986 (as added by this sec-
11 tion) in connection with such plan amendment.

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