[DISCUSSION DRAFT]

114TH CONGRESS
2D SESSION

H. R. ______

To amend the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986 to authorize a new composite multiemployer pension plan design, and for other purposes.

M__. ____________ introduced the following bill; which was referred to the Committee on ____________________________

A BILL

To amend the Employee Retirement Income Security Act of 1974 and the Internal Revenue Code of 1986 to authorize a new composite multiemployer pension plan design, and for other purposes.

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 ''Multiemployer Pension
5 Modernization Act of 2016''.

1 **SEC. 2. COMPOSITE PLANS.**

2 (a) AMENDMENT TO THE EMPLOYEE RETIREMENT
3 INCOME SECURITY ACT OF 1974.—

4 (1) IN GENERAL.—Title I of the Employee Re-
5 tirement Income Security Act of 1974 (29 U.S.C.
6 1001 et seq.) is amended by adding at the end the
7 following:

8 **"PART 8—COMPOSITE PLANS AND LEGACY**
9 **PLANS**

10 **"SEC. 801. COMPOSITE PLAN DEFINED.**

11 "(a) COMPOSITE PLAN DEFINED.—For purposes of
12 this Act, the term 'composite plan' means a pension
13 plan—

14 "(1) which is a multiemployer plan that is nei-
15 ther a defined benefit plan nor a defined contribu-
16 tion plan;

17 "(2) the terms of which provide that the plan
18 is a composite plan for purposes of this title with re-
19 spect to which not more than one multiemployer de-
20 fined benefit plan is treated as a legacy plan within
21 the meaning of section 805, unless there is more
22 than one legacy plan following a merger of composite
23 plans under section 806;

24 "(3) which provides systematically for the pay-
25 ment of benefits—

1 "(A) objectively calculated pursuant to a
2 formula enumerated in the plan document with
3 respect to plan participants after retirement,
4 for life; and
5 "(B) in the form of life annuities, except
6 for benefits which under section 203(e) may be
7 immediately distributed without the consent of
8 the participant;
9 "(4) for which the plan contributions for the
10 first plan year are at least 120 percent of the nor-
11 mal cost for the plan year;
12 "(5) which requires—
13 "(A) an annual valuation of the liability of
14 the plan as of a date within the plan year to
15 which the valuation refers or within one month
16 prior to the beginning of such year;
17 "(B) an annual actuarial determination of
18 the plan's current funded ratio and projected
19 funded ratio under section 802(a); and
20 "(C) corrective action through a realign-
21 ment program pursuant to section 803 when-
22 ever the plan's projected funding ratio is below
23 120 percent for the plan year; and
24 "(6) the board of trustees of which includes at
25 least one retiree or beneficiary in pay status during

1 each plan year following the first plan year in which
2 at least 5 percent of the participants in the plan are
3 retirees or beneficiaries in pay status.
4 ''(b) COMPOSITE PLAN FEATURE MAY BE ADDED TO
5 A MULTIEMPLOYER DEFINED BENEFIT PLAN.—
6 ''(1) IN GENERAL.—The plan sponsor of a de-
7 fined benefit plan that is a multiemployer plan may
8 amend the plan to incorporate the features of a com-
9 posite plan as a component of the multiemployer
10 plan separate from the defined benefit plan compo-
11 nent, except in the case of a defined benefit plan for
12 which the plan actuary has certified under section
13 305(b)(3) that the plan is or will be in critical status
14 for the plan year in which such amendment would
15 become effective or for any of the succeeding 5 plan
16 years.
17 ''(2) SPECIAL RULES.—If a multiemployer plan
18 is amended pursuant to paragraph (1)—
19 ''(A) the requirements of this title and title
20 IV shall be applied to the composite plan com-
21 ponent and the defined benefit plan component
22 of the multiemployer plan as if each such com-
23 ponent were maintained as a separate plan; and
24 ''(B) the assets of the composite plan com-
25 ponent and the defined benefit plan component

1 of the plan shall be held in a single trust form-
2 ing part of the plan under which the trust in-
3 strument expressly provides—

4 "(i) for separate accounts (and appro-
5 priate records) to be maintained to reflect
6 the interest which each of the plan compo-
7 nents has in the trust, including separate
8 accounting for additions to the trust for
9 the benefit of each plan component, dis-
10 bursements made from each plan compo-
11 nent's account in the trust, investment ex-
12 perience of the trust allocable to that ac-
13 count, and administrative expenses (wheth-
14 er direct expenses or shared expenses allo-
15 cated proportionally), and permits, but
16 does not require, the pooling of some or all
17 of the assets of the two plan components
18 for investment purposes; and

19 "(ii) that the assets of each of the two
20 plan components shall be held, invested,
21 reinvested, managed, administered and dis-
22 tributed for the exclusive benefit of the
23 participants and beneficiaries of each such
24 plan component, and in no event shall the
25 assets of one of the plan components be

1 available to pay benefits due under the
2 other plan component.
3 ‘‘(3) REFERENCES TO COMPOSITE PLAN COM-
4 PONENT.—As used in this part, the term ‘composite
5 plan’ includes a composite plan component added to
6 a defined benefit plan pursuant to paragraph (1).
7 ‘‘(c) COORDINATION WITH FUNDING RULES.—Ex-
8 cept as otherwise provided in this title, sections 302, 304,
9 and 305 shall not apply to a composite plan.
10 ‘‘(d) TREATMENT OF A COMPOSITE PLAN.—For pur-
11 poses of this Act (other than sections 302 and 4245), a
12 composite plan shall be treated as if it were a defined ben-
13 efit plan unless a different treatment is provided for under
14 applicable law.
15 **‘‘SEC. 802. FUNDED RATIOS; ACTUARIAL ASSUMPTIONS.**
16 ‘‘(a) CERTIFICATION OF FUNDED RATIOS.—
17 ‘‘(1) IN GENERAL.—Not later than the 120th
18 day of each plan year of a composite plan, the plan
19 actuary of the composite plan shall certify to the
20 Secretary, the Secretary of the Treasury, and the
21 plan sponsor the plan’s current funded ratio and
22 projected funded ratio for the plan year.
23 ‘‘(2) DETERMINATION OF CURRENT FUNDED
24 RATIO AND PROJECTED FUNDED RATIO.—For pur-
25 poses of this section:

1 "(A) CURRENT FUNDED RATIO.—The cur-
2 rent funded ratio is the ratio (expressed as a
3 percentage) of—
4 "(i) the value of the plan's assets as
5 of the first day of the plan year, to
6 "(ii) the plan actuary's best estimate
7 of the present value of the plan liabilities
8 as of the first day of the plan year.
9 "(B) PROJECTED FUNDED RATIO.—The
10 projected funded ratio is the current funded
11 ratio projected to the first day of the 15th plan
12 year following the plan year for which the de-
13 termination is being made.
14 "(3) CONSIDERATION OF CONTRIBUTION RATE
15 INCREASES.—For purposes of projections under this
16 subsection, the plan sponsor may anticipate con-
17 tribution rate increases beyond the term of the cur-
18 rent collective bargaining agreement and any agreed-
19 to supplements, up to a maximum of 2.5 percent per
20 year, compounded annually, unless it would be un-
21 reasonable under the circumstances to assume that
22 contributions would increase by that amount.
23 "(b) ACTUARIAL ASSUMPTIONS AND METHODS.—
24 For purposes of this part:

1 "(1) IN GENERAL.—All costs, liabilities, rates
2 of interest and other factors under the plan shall be
3 determined for a plan year on the basis of actuarial
4 assumptions and methods—
5 "(A) each of which is reasonable (taking
6 into account the experience of the plan and rea-
7 sonable expectations);
8 "(B) which, in combination, offer the actu-
9 ary's best estimate of anticipated experience
10 under the plan; and
11 "(C) with respect to which any change
12 from the actuarial assumptions and methods
13 used in the previous plan year shall be certified
14 by the plan actuary and the actuarial rationale
15 for such change provided in the annual report
16 required by section 103.
17 "(2) FAIR MARKET VALUE OF ASSETS.—The
18 value of the plan's assets shall be taken into account
19 on the basis of their fair market value.
20 "(3) DETERMINATION OF NORMAL COST AND
21 PLAN LIABILITIES.—A plan's normal cost and liabil-
22 ities shall be based on the most recent actuarial
23 valuation required under section 801(a)(5)(A) and
24 the unit credit funding method.

1 "(4) TIME WHEN CERTAIN CONTRIBUTIONS
2 DEEMED MADE.—Any contributions for a plan year
3 made by an employer after the last day of such plan
4 year, but not later than two and one-half months
5 after such day, shall be deemed to have been made
6 on such last day. For purposes of this paragraph,
7 such two and one-half month period may be ex-
8 tended for not more than six months under regula-
9 tions prescribed by the Secretary of the Treasury.
10 "(5) ADDITIONAL ACTUARIAL ASSUMPTIONS.—
11 Except where otherwise provided in this part, the
12 provisions of section 305(b)(3)(B) shall apply to any
13 determination or projection under this part.
14 **"SEC. 803. REALIGNMENT PROGRAMS.**
15 "(a) REALIGNMENT PROGRAM.—
16 "(1) ADOPTION.—In any case in which the plan
17 actuary certifies under section 802(a) that the plan's
18 projected funded ratio is below 120 percent for the
19 plan year, the plan sponsor shall adopt a realign-
20 ment program under paragraph (2) not later than
21 210 days after the due date of the certification re-
22 quired under such section 802(a). The plan sponsor
23 shall adopt an updated realignment program for
24 each succeeding plan year for which a certification
25 described in the preceding sentence is made.

1 "(2) CONTENT OF REALIGNMENT PROGRAM.—
2 "(A) IN GENERAL.—A realignment pro-
3 gram adopted under this paragraph is a written
4 program which consists of all reasonable meas-
5 ures, including options or a range of options to
6 be undertaken by the plan sponsor or proposed
7 to the bargaining parties, formulated, based on
8 reasonably anticipated experience and reason-
9 able actuarial assumptions, to enable the plan
10 to achieve a projected funding ratio of at least
11 120 percent for the following plan year.
12 "(B) INITIAL PROGRAM ELEMENTS.—Rea-
13 sonable measures under a realignment program
14 described in subparagraph (A) may include any
15 of the following:
16 "(i) Proposed contribution increases.
17 "(ii) A reduction in the rate of future
18 benefit accruals, so long as the resulting
19 rate is not less than 1 percent of the con-
20 tributions on which benefits are based as
21 of the start of the plan year (or the equiva-
22 lent standard accrual rate as described in
23 section 305(e)(6)).
24 "(iii) A modification or elimination of
25 adjustable benefits of participants that are

1 not in pay status before the date of the no-
2 tice required under subsection (b)(1).
3 "(iv) Any other lawfully available
4 measures not specifically described in this
5 subparagraph or subparagraph (C) or (D)
6 that the plan sponsor determines are rea-
7 sonable.
8 "(C) ADDITIONAL PROGRAM ELEMENTS.—
9 If the plan sponsor has determined that all rea-
10 sonable measures available under subparagraph
11 (B) will not enable the plan to achieve a pro-
12 jected funded ratio of at least 120 percent for
13 the following plan year, such reasonable meas-
14 ures may also include—
15 "(i) a reduction of accrued benefits
16 that are not in pay status by the date of
17 the notice required under subsection
18 (b)(1); or
19 "(ii) a reduction of any benefits of
20 participants that are in pay status before
21 the date of the notice required under sub-
22 section (b)(1) other than core benefits as
23 defined in paragraph (4).
24 "(D) ADDITIONAL REDUCTIONS.—In the
25 case of a composite plan for which the plan

1 sponsor has determined that all reasonable
2 measures available under subparagraphs (B)
3 and (C) will not enable the plan to achieve a
4 projected funded ratio of at least 120 percent
5 for the following plan year, such reasonable
6 measures may also include—
7 ''(i) a further reduction in the rate of
8 future benefit accruals without regard to
9 the limitation applicable under subpara-
10 graph (B)(ii); or
11 ''(ii) a reduction of core benefits,
12 provided that such reductions shall be equitably
13 distributed across the participant and bene-
14 ficiary population, taking into account factors,
15 with respect to participants and beneficiaries
16 and their benefits, that may include one or
17 more of the factors listed in subclauses (I)
18 through (X) of section 305(e)(9)(D)(vi), to the
19 extent necessary to enable the plan to achieve
20 a projected funded ratio of at least 120 percent
21 for the following plan year, or at the election of
22 the plan sponsor, a projected funded ratio of at
23 least 100 percent for the following plan year
24 and a current funded ratio of at least 90 per-
25 cent.

1 "(3) ADJUSTABLE BENEFIT DEFINED.—For
2 purposes of this part, the term 'adjustable benefit'
3 means—
4 "(A) benefits, rights, and features under
5 the plan, including post-retirement death bene-
6 fits, 60-month guarantees, disability benefits
7 not yet in pay status, and similar benefits;
8 "(B) any early retirement benefit or retire-
9 ment-type subsidy (within the meaning of sec-
10 tion 204(g)(2)(A)) and any benefit payment op-
11 tion (other than the qualified joint and survivor
12 annuity); and
13 "(C) benefit increases that were adopted
14 (or, if later, took effect) less than 60 months
15 before the first day such realignment program
16 took effect.
17 "(4) CORE BENEFIT DEFINED.—For purposes
18 of this part, the term 'core benefit' means a partici-
19 pant's accrued benefit payable in the normal form of
20 an annuity commencing at normal retirement age,
21 determined without regard to—
22 "(A) any early retirement benefits, retire-
23 ment-type subsidies, or other benefits, rights, or
24 features that may be associated with that ben-
25 efit; and

1 "(B) any cost-of-living adjustments or ben-
2 efit increases effective after the date of retire-
3 ment.
4 "(5) COORDINATION WITH CONTRIBUTION IN-
5 CREASES.—
6 "(A) IN GENERAL.—A realignment pro-
7 gram may provide that some or all of the ben-
8 efit modifications described in the program will
9 only take effect if the bargaining parties fail to
10 agree to specified levels of increases in contribu-
11 tions to the plan, effective as of specified dates.
12 "(B) INDEPENDENT BENEFIT MODIFICA-
13 TIONS.—If a realignment program adopts any
14 changes to the benefit formula that are inde-
15 pendent of potential contribution increases,
16 such changes shall take effect not later than the
17 first day of the first plan year that begins fol-
18 lowing the adoption of the realignment pro-
19 gram.
20 "(C) CONDITIONAL BENEFIT MODIFICA-
21 TIONS.—If a realignment program adopts any
22 changes to the benefit formula that take effect
23 only if the bargaining parties fail to agree to
24 contribution increases, such changes shall take
25 effect not later than the first day of the first

1 plan year beginning after the third anniversary
2 of the date of adoption of the realignment pro-
3 gram.

4 ‘‘(D) REVOCATION OF CERTAIN BENEFIT
5 MODIFICATIONS.—Benefit modifications de-
6 scribed in subparagraph (C) may be revoked, in
7 whole or in part, and retroactively or prospec-
8 tively, when contributions to the plan are in-
9 creased, as specified in the realignment pro-
10 gram, including any amendments thereto. The
11 preceding sentence shall not apply unless the
12 contribution increases are to be effective not
13 later than the fifth anniversary of the first day
14 of the first plan year that begins after the
15 adoption of the realignment program.

16 ‘‘(b) NOTICE.—

17 ‘‘(1) IN GENERAL.—In any case in which it is
18 certified under section 802(a) that the projected
19 funded ratio is less than 120 percent, the plan spon-
20 sor shall, not later than 30 days after the date of
21 the certification, provide notification of the current
22 and projected funded ratios to the participants and
23 beneficiaries, the bargaining parties, and the Sec-
24 retary. Such notice shall include—

1 "(A) an explanation that contribution rate
2 increases or benefit reductions may be nec-
3 essary;
4 "(B) a description of the types of benefits
5 that might be reduced; and
6 "(C) an estimate of the contribution in-
7 creases and benefit reductions that may be nec-
8 essary to achieve a projected funded ratio of
9 120 percent.
10 "(2) NOTICE OF BENEFIT MODIFICATIONS.—
11 "(A) IN GENERAL.—No modifications may
12 be made that reduce the rate of future benefit
13 accrual or that reduce core benefits or adjust-
14 able benefits unless notice of such reduction has
15 been given at least 30 days before the general
16 effective date of such reduction for all partici-
17 pants and beneficiaries to—
18 "(i) plan participants and bene-
19 ficiaries;
20 "(ii) each employer who has an obliga-
21 tion to contribute to the composite plan;
22 and
23 "(iii) each employee organization
24 which, for purposes of collective bar-

1 gaining, represents plan participants em-
2 ployed by such employers.
3 ‘‘(B) CONTENT OF NOTICE.—The notice
4 under subparagraph (A) shall contain—
5 ‘‘(i) sufficient information to enable
6 participants and beneficiaries to under-
7 stand the effect of any reduction on their
8 benefits, including an illustration of any
9 affected benefit or subsidy, on an annual
10 or monthly basis that a participant or ben-
11 eficiary would otherwise have been eligible
12 for as of the general effective date de-
13 scribed in (A) above, and
14 ‘‘(ii) information as to the rights and
15 remedies of plan participants and bene-
16 ficiaries as well as how to contact the De-
17 partment of Labor for further information
18 and assistance, where appropriate.
19 ‘‘(C) FORM AND MANNER.—Any notice
20 under subparagraph (A)—
21 ‘‘(i) shall be provided in a form and
22 manner prescribed in regulations of the
23 Secretary of Labor,

1 "(ii) shall be written in a manner so
2 as to be understood by the average plan
3 participant.
4 "(3) MODEL NOTICES.—The Secretary shall—
5 "(A) prescribe model notices that the plan
6 sponsor of a composite plan may use to satisfy
7 the notice requirements under this subsection;
8 and
9 "(B) by regulation enumerate any details
10 related to the elements listed in paragraph (1)
11 that any notice under this subsection must in-
12 clude.
13 "(4) ELECTRONIC DELIVERY.—The Secretary
14 shall by regulation permit any notice under this part
15 to be provided by electronic means, so long as phys-
16 ical copies are provided to participants and bene-
17 ficiaries upon request.

18 **"SEC. 804. LIMITATION ON INCREASING BENEFITS.**

19 "(a) LEVEL OF CURRENT FUNDED RATIOS.—Except
20 as provided in subsections (c), (d), and (e), no plan
21 amendment increasing benefits or establishing new bene-
22 fits under a composite plan may be adopted for a plan
23 year unless—

1 "(1) the plan's current funded ratio is at least
2 110 percent (without regard to the benefit increase
3 or new benefits);
4 "(2) taking the benefit increase or new benefits
5 into account, the current funded ratio is at least 100
6 percent and the projected funded ratio for the cur-
7 rent plan year is at least 120 percent;
8 "(3) in any case in which, after taking the ben-
9 efit increase or new benefits into account, the cur-
10 rent funded ratio is less than 140 percent and the
11 projected funded ratio is less than 140 percent, the
12 benefit increase or new benefits are projected by the
13 plan actuary to increase the present value of the
14 plan's liabilities for the plan year by not more than
15 3 percent; and
16 "(4) expected contributions for the current plan
17 year are at least 120 percent of normal cost for the
18 plan year, determined using the unit credit funding
19 method and treating the benefit increase or new ben-
20 efits as in effect for the entire plan year.
21 "(b) ADDITIONAL REQUIREMENTS WHERE CORE
22 BENEFITS REDUCED.—If a plan has been amended to re-
23 duce core benefits pursuant to a realignment program
24 under section 803(a)(2)(D), such plan may not be subse-

1 quently amended to increase core benefits unless the
2 amendment—
3 ‘‘(1) increases the level of future benefit pay-
4 ments only; and
5 ‘‘(2) provides for an equitable distribution of
6 benefit increases across the participant and bene-
7 ficiary population, taking into account the extent to
8 which the benefits of participants were previously re-
9 duced pursuant to such realignment program.
10 ‘‘(c) EXCEPTION TO COMPLY WITH APPLICABLE
11 LAW.—Subsection (a) shall not apply in connection with
12 a plan amendment if the amendment is required as a con-
13 dition of qualification under part I of subchapter D of
14 chapter 1 of the Internal Revenue Code of 1986 or to com-
15 ply with other applicable law.
16 ‘‘(d) EXCEPTION WHERE MAXIMUM DEDUCTIBLE
17 LIMIT APPLIES.—Subsection (a) shall not apply in con-
18 nection with a plan amendment if and to the extent that
19 contributions to the composite plan would not be deduct-
20 ible for the plan year under section 404(a)(1)(E) of the
21 Internal Revenue Code of 1986 if the plan amendment is
22 not adopted.
23 ‘‘(e) EXCEPTION FOR CERTAIN BENEFIT MODIFICA-
24 TIONS.—Subsection (a) shall not apply in connection with

1 a plan amendment under section 803(a)(5)(C), regarding
2 conditional benefit modifications.

3 ''(f) TREATMENT OF PLAN AMENDMENTS.—For pur-
4 poses of this section—

5 ''(1) if 2 or more plan amendments increasing
6 benefits or establishing new benefits are adopted in
7 a plan year, such amendments shall be treated as a
8 single amendment adopted on the last day of the
9 plan year;

10 ''(2) all benefit increases and new benefits
11 adopted in a single amendment are treated as a sin-
12 gle benefit increase, irrespective of whether the in-
13 creases and new benefits take effect in more than
14 one plan year; and

15 ''(3) increases in contributions or decreases in
16 plan liabilities which are scheduled to take effect in
17 future plan years may be taken into account in con-
18 nection with a plan amendment if they have been
19 agreed to in writing or otherwise formalized by the
20 date the plan amendment is adopted.

21 **''SEC. 805. COMPOSITE PLAN RESTRICTIONS TO PRESERVE**
22 **LEGACY PLAN FUNDING.**

23 ''(a) TREATMENT AS A LEGACY PLAN.—

24 ''(1) IN GENERAL.—For purposes of this part
25 and parts 2 and 3, a defined benefit plan shall be

1 treated as a legacy plan with respect to a composite
2 plan to the extent to which a class of employees who
3 were eligible to accrue a benefit under the defined
4 benefit plan become eligible to accrue a benefit
5 under such composite plan.

6 "(2) COMPONENT PLANS.—In any case in
7 which a defined benefit plan is amended to add a
8 composite plan component pursuant to section
9 801(b), paragraph (1) shall be applied by sub-
10 stituting 'defined benefit component' for 'defined
11 benefit plan' and 'composite plan component' for
12 'composite plan'.

13 "(3) ELIGIBLE TO ACCRUE A BENEFIT.—For
14 purposes of paragraph (1), an employee is consid-
15 ered eligible to accrue a benefit under a composite
16 plan as of the first day of the month following the
17 first month in which the employee completes an hour
18 of service under a collective bargaining agreement
19 that provides for contributions to the composite plan
20 and eliminates accruals in the legacy plan.

21 "(4) COLLECTIVE BARGAINING AGREEMENT.—
22 As used in this part, the term 'collective bargaining
23 agreement' includes any agreement under which an
24 employer has an obligation to contribute to a plan.

1 "(5) OTHER TERMS.—Any term used in this
2 part which is not defined in this part and which is
3 also used in section 305 shall have the same mean-
4 ing provided such term in such section.
5 "(b) RESTRICTIONS ON ACCEPTANCE BY COMPOSITE
6 PLAN OF AGREEMENTS AND CONTRIBUTIONS.—
7 "(1) IN GENERAL.—The plan sponsor of a com-
8 posite plan shall not accept or recognize a collective
9 bargaining agreement (or any modification to such
10 agreement), and no contributions may be accepted
11 and no benefits may be accrued or otherwise earned
12 under the agreement, unless the agreement requires
13 each employer who is a party to such agreement to
14 provide contributions to the legacy plan with respect
15 to such composite plan in a manner that satisfies
16 the transition contribution requirements of sub-
17 section (d).
18 "(2) NOTICE.—Not later than 30 days after a
19 determination by a plan sponsor of a composite plan
20 that an agreement fails to satisfy the requirements
21 described in paragraph (1), the plan sponsor shall
22 provide notification of such failure and the reasons
23 for such determination—
24 "(A) to the parties to the agreement;

1 "(B) to active participants of the com-
2 posite plan who have ceased to accrue or other-
3 wise earn benefits with respect to service with
4 an employer pursuant to paragraph (1); and
5 "(C) to the Secretary, the Secretary of the
6 Treasury, and the Pension Benefit Guaranty
7 Corporation.
8 "(3) LIMITATION ON RETROACTIVE EFFECT.—
9 This subsection shall not apply to benefits accrued
10 before the date on which notice is provided under
11 paragraph (2).
12 "(c) RESTRICTION ON ACCRUAL OF BENEFITS
13 UNDER A COMPOSITE PLAN.—
14 "(1) IN GENERAL.—In any case in which an
15 employer, under a collective bargaining agreement
16 entered into after the date of the enactment of the
17 Multiemployer Pension Modernization Act of 2016,
18 ceases to have an obligation to contribute to a multi-
19 employer defined benefit plan for one or more class-
20 es of employees, no such class of employees em-
21 ployed by the employer may accrue or otherwise earn
22 benefits under any composite plan, with respect to
23 service with that employer, for a 60-month period
24 beginning on the date on which the employer entered
25 into such collective bargaining agreement.

1 "(2) NOTICE OF CESSATION OF OBLIGATION.—
2 Within 30 days of determining that an employer has
3 ceased to have an obligation to contribute to a leg-
4 acy plan with respect to one or more classes of em-
5 ployees employed by an employer that is or will be
6 contributing to a composite plan with respect to
7 service of such employees, the plan sponsor of the
8 legacy plan shall notify the plan sponsor of the com-
9 posite plan of that cessation.
10 "(3) NOTICE OF CESSATION OF ACCRUALS.—
11 Not later than 30 days after receiving a notice under
12 paragraph (2) and determining the accuracy of the
13 information, the plan sponsor of the composite plan
14 shall notify the bargaining parties, the active partici-
15 pants affected by the cessation of accruals, the Sec-
16 retary, the Secretary of the Treasury, and the Pen-
17 sion Benefit Guaranty Corporation of the cessation
18 of accruals, the period during which such cessation
19 is in effect, and the reasons therefor.
20 "(4) LIMITATION ON RETROACTIVE EFFECT.—
21 This subsection shall not apply to benefits accrued
22 before the date on which notice is provided under
23 paragraph (3).
24 "(d) TRANSITION CONTRIBUTION REQUIREMENTS.—

1 "(1) IN GENERAL.—A collective bargaining
2 agreement satisfies the transition contribution re-
3 quirements of this subsection if the agreement—
4 "(A) authorizes payment of contributions
5 to a legacy plan at a rate or rates equal to or
6 greater than the transition contribution rate es-
7 tablished by the legacy plan under paragraph
8 (2); and
9 "(B) does not provide for—
10 "(i) a suspension of contributions to
11 the legacy plan with respect to any period
12 of service; or
13 "(ii) any new direct or indirect exclu-
14 sion of younger or newly hired employees
15 of the employer from being taken into ac-
16 count in determining contributions owed to
17 the legacy plan.
18 "(2) TRANSITION CONTRIBUTION RATE.—
19 "(A) IN GENERAL.—The transition con-
20 tribution rate for a plan year is the contribution
21 rate that, as certified by the actuary of the leg-
22 acy plan in accordance with the principles in
23 section 305(b)(3)(B), is reasonably expected to
24 be adequate—

1 "(i) to fund the normal cost for the
2 plan year;
3 "(ii) to amortize the plan's unfunded
4 liabilities in level annual installments over
5 25 years, beginning with the plan year in
6 which the transition contribution rate is
7 first established; and
8 "(iii) to amortize any subsequent
9 changes in the legacy plan's unfunded li-
10 ability due to experience gains or losses,
11 changes in actuarial assumptions, changes
12 to the legacy plan's benefits, or changes in
13 funding method over a period of 15 plan
14 years beginning with the plan year in
15 which such change in unfunded liability is
16 incurred.
17 The transition contribution rate for any plan
18 year may not be less than the transition con-
19 tribution rate for the plan year in which such
20 rate is first established.
21 "(B) MULTIPLE RATES.—If different rates
22 of contribution are payable to the legacy plan
23 by different employers or for different classes of
24 employees, the certification shall specify a tran-

1 sition contribution rate for each such employer
2 or class of employees.
3 "(C) RATE APPLICABLE TO EM-
4 PLOYER.——
5 "(i) IN GENERAL.—Except as pro-
6 vided by clause (ii), the transition con-
7 tribution rate applicable to an employer for
8 a plan year is the rate in effect for the
9 plan year of the legacy plan that com-
10 mences on or after 180 days before the
11 earlier of—
12 "(I) the effective date of the col-
13 lective bargaining agreement pursuant
14 to which the employer contributes to
15 the legacy plan; or
16 "(II) 5 years after the last plan
17 year for which the transition contribu-
18 tion rate applicable to the employer
19 was established or updated.
20 "(ii) EXCEPTION.—The transition
21 contribution rate applicable to an employer
22 for the first plan year beginning on or
23 after the commencement of the employer's
24 obligation to contribute to the composite
25 plan is the rate in effect for the plan year

1 of the legacy plan that commences on or
2 after 180 days before such first plan year.
3 "(D) EFFECT OF LEGACY PLAN FINANCIAL
4 CIRCUMSTANCES.—If the plan actuary of the
5 legacy plan has certified under section 305 that
6 the plan is in endangered or critical status for
7 a plan year, the transition contribution rate for
8 the following plan year is the rate determined
9 with respect to the employer under the legacy
10 plan's funding improvement or rehabilitation
11 plan under section 305, if greater than the rate
12 otherwise determined, but in no event greater
13 than 75 percent of the sum of the contribution
14 rates applicable to the legacy plan and the com-
15 posite plan for the plan year.
16 "(E) OTHER ACTUARIAL ASSUMPTIONS
17 AND METHODS.—Except as provided in sub-
18 paragraph (A), the determination of the transi-
19 tion contribution rate for a plan year shall be
20 based on actuarial assumptions and methods
21 consistent with the minimum funding deter-
22 minations made under section 304 (or, if appli-
23 cable, section 305) with respect to the legacy
24 plan for the plan year.

1 "(F) ADJUSTMENTS IN RATE.—The plan
2 sponsor of a legacy plan from time to time may
3 adjust the transition contribution rate or rates
4 applicable to an employer under this paragraph
5 by increasing some rates and decreasing others
6 if the actuary certifies that such adjusted rates
7 in combination will produce projected contribu-
8 tion income for the plan year beginning on or
9 after the date of certification that is not less
10 than would be produced by the transition con-
11 tribution rates in effect at the time of the cer-
12 tification.
13 "(G) NOTICE OF TRANSITION CONTRIBU-
14 TION RATE.—The plan sponsor of a legacy plan
15 shall provide notice to the parties to collective
16 bargaining agreements pursuant to which con-
17 tributions are made to the legacy plan of
18 changes to the transition contribution rate re-
19 quirements at least 30 days before the begin-
20 ning of the plan year for which the rate is effec-
21 tive.
22 "(H) NOTICE TO COMPOSITE PLAN SPON-
23 SOR.—Not later than 30 days after a deter-
24 mination by the plan sponsor of a legacy plan
25 that a collective bargaining agreement provides

1 for a rate of contributions that is below the
2 transition contribution rate applicable to one or
3 more employers that are parties to the collective
4 bargaining agreement, the plan sponsor of the
5 legacy plan shall notify the plan sponsor of any
6 composite plan under which employees of such
7 employer would otherwise be eligible to accrue
8 a benefit.

9 "(3) CORRECTION PROCEDURES.—Pursuant to
10 standards prescribed by the Secretary, the plan
11 sponsor of a composite plan shall adopt rules and
12 procedures that give the parties to the collective bar-
13 gaining agreement notice of the failure of such
14 agreement to satisfy the transition contribution re-
15 quirements of this subsection, and a reasonable op-
16 portunity to correct such failure, not to exceed 180
17 days from the date of notice given under subsection
18 (b)(2).

19 "(e) TERMINATION OF COMPOSITE PLAN RESTRIC-
20 TIONS.—

21 "(1) IN GENERAL.—Beginning with the first
22 day of the first plan year of a defined benefit plan
23 that is a legacy plan with respect to which the plan
24 actuary certifies that the plan is fully funded, has
25 been fully funded for at least 3 out of the imme-

1 diately preceding 5 plan years, and is projected to
2 remain fully funded for at least the following 4 plan
3 years, the provisions of subsections (a), (b), and (c)
4 shall cease to apply with respect to a collective bar-
5 gaining agreement to the extent the agreement, or a
6 predecessor agreement, provides or provided for con-
7 tributions to such plan.

8 "(2) DETERMINATION OF FULLY FUNDED.—A
9 plan is fully funded for purposes of paragraph (1)
10 if, as of the valuation date of the plan for a plan
11 year, the value of the plan's assets equals or exceeds
12 the present value of the plan's liabilities, determined
13 in accordance with the rules prescribed by the Pen-
14 sion Benefit Guaranty Corporation under sections
15 4219(c)(1)(D) and 4281 for multiemployer plans
16 terminating by mass withdrawal, as in effect for the
17 date of the determination.

18 "(3) OTHER APPLICABLE RULES.—Except as
19 provided in paragraph (2), actuarial determinations
20 and projections under this section shall be based on
21 the rules in section 305(b)(3) and section 802(b).

1 **"SEC. 806. MERGERS AND ASSET TRANSFERS OF COM-**
2 **POSITE PLANS.**

3 "(a) IN GENERAL.—Assets and liabilities of a com-
4 posite plan may only be merged with, or transferred to,
5 another plan if—

6 "(1) the plan or plans resulting from the merg-
7 er or transfer is a composite plan;

8 "(2) no participant's accrued benefit or adjust-
9 able benefit is lower immediately after the trans-
10 action than it was immediately before the trans-
11 action; and

12 "(3) the value of the assets transferred in the
13 case of a transfer reasonably reflects the value of the
14 amounts contributed with respect to the participants
15 whose benefits are being transferred, adjusted for al-
16 locable distributions, investment gains and losses,
17 and administrative expenses.

18 "(b) LEGACY PLAN.—

19 "(1) IN GENERAL.—After the merger or trans-
20 fer involving a composite plan, the legacy plan with
21 respect to an employer that is obligated to con-
22 tribute to the resulting composite plan is the legacy
23 plan that applied to that employer immediately be-
24 fore the merger or transfer.

25 "(2) MULTIPLE LEGACY PLANS.—If an em-
26 ployer is obligated to contribute to more than one

1 legacy plan with respect to employees eligible to ac-
2 crue benefits under more than one composite plan
3 and there is a merger or transfer of such composite
4 plans, such legacy plans continue to apply to that
5 employer with respect to the composite plan result-
6 ing from the merger or transfer.''.

7 (2) PENALTIES.—

8 (A) CIVIL ENFORCEMENT OF FAILURE TO
9 COMPLY WITH REALIGNMENT PROGRAM.—Sec-
10 tion 502(a) of such Act (29 U.S.C. 1132(a)) is
11 amended by adding at the end the following:

12 ''(11) in the case of a composite plan required
13 to adopt a realignment program under section 803,
14 if the plan sponsor—

15 ''(A) has not adopted a realignment pro-
16 gram under that section by the deadline estab-
17 lished in such section; or

18 ''(B) fails to update or comply with the
19 terms of the realignment program in accordance
20 with the requirements of such section;

21 by the Secretary, by an employer that has an obliga-
22 tion to contribute with respect to the composite plan,
23 or by an employee organization that represents ac-
24 tive participants in the composite plan, for an order
25 compelling the plan sponsor to adopt a realignment

1 program, or to update or comply with the terms of
2 the realignment program, in accordance with the re-
3 quirements of such section and the realignment pro-
4 gram.''.
5 (B) CIVIL PENALTIES.—Section 502(c) of
6 such Act (29 U.S.C. 1132(c)) is amended—
7 (i) by moving paragraphs (8), (10),
8 and (12) each 2 ems to the left;
9 (ii) by redesignating paragraphs (9)
10 through (12) as paragraphs (13) through
11 (16), respectively; and
12 (iii) by inserting after paragraph (8)
13 the following:
14 ''(9) The Secretary may assess against any plan
15 sponsor of a composite plan a civil penalty of not
16 more than $1,100 per day for each violation by such
17 sponsor—
18 ''(A) of the requirement under section
19 802(a) on the plan actuary to certify the plan's
20 current or projected funded ratio by the date
21 specified in such subsection; or
22 ''(B) of the requirement under section 803
23 to adopt a realignment program by the deadline
24 established in that section and to comply with
25 its terms.

1 "(10)(A) The Secretary may assess against any
2 plan sponsor of a composite plan a civil penalty of
3 not more than $100 per day for each violation by
4 such sponsor of the requirement under section
5 803(b) to provide notice as described in such section,
6 except that no penalty may be assessed in any case
7 in which the plan sponsor exercised reasonable dili-
8 gence to meet the requirements of such section
9 and—
10 "(i) the plan sponsor did not know that the
11 violation existed; or
12 "(ii) the plan sponsor provided such notice
13 during the 30-day period beginning on the first
14 date on which the plan sponsor knew, or in ex-
15 ercising reasonable due diligence should have
16 known, that such violation existed.
17 "(B) In any case in which the plan sponsor ex-
18 ercised reasonable diligence to meet the require-
19 ments of section 803(b)—
20 "(i) the total penalty assessed under this
21 paragraph against such sponsor for a plan year
22 may not exceed $500,000; and
23 "(ii) the Secretary may waive part or all of
24 such penalty to the extent that the payment of

1 such penalty would be excessive or otherwise in-
2 equitable relative to the violation involved.
3 "(11) The Secretary may assess against any
4 plan sponsor of a composite plan a civil penalty of
5 not more than $100 per day for each violation by
6 such sponsor of the notice requirement under section
7 805(b)(2).".
8 (3) CONFORMING AMENDMENT.—The table of
9 contents in section 1 of such Act (29 U.S.C. 1001
10 note) is amended by inserting after the item relating
11 to section 734 the following:

"PART 8—COMPOSITE PLANS AND LEGACY PLANS

"Sec. 801. Composite plan defined.
"Sec. 802. Funded ratios; actuarial assumptions.
"Sec. 803. Realignment programs.
"Sec. 804. Limitation on increasing benefits.
"Sec. 805. Composite plan restrictions to preserve legacy plan funding.
"Sec. 806. Mergers and asset transfers of composite plans.".

12 (b) AMENDMENT TO THE INTERNAL REVENUE CODE
13 OF 1986.—
14 (1) IN GENERAL.—Part III of subchapter D of
15 chapter 1 of the Internal Revenue Code of 1986 is
16 amended by adding at the end the following:

17 **"Subpart C—Composite Plans and Legacy Plans**

"Sec. 437. Composite plan defined.
"Sec. 438. Funded ratios; actuarial assumptions.
"Sec. 439. Realignment program.
"Sec. 440. Limitation on increasing benefits.
"Sec. 440A. Composite plan restrictions to preserve legacy plan funding.
"Sec. 440B. Mergers and asset transfers of composite plans.

1 **"SEC. 437. COMPOSITE PLAN DEFINED.**

2 "(a) COMPOSITE PLAN DEFINED.—For purposes of
3 this title, the term 'composite plan' means a pension
4 plan—

5 "(1) which is a multiemployer plan that is nei-
6 ther a defined benefit plan nor a defined contribu-
7 tion plan;

8 "(2) the terms of which provide that the plan
9 is a composite plan for purposes of this title with re-
10 spect to which not more than one multiemployer de-
11 fined benefit plan is treated as a legacy plan within
12 the meaning of section 440A, unless there is more
13 than one legacy plan following a merger of composite
14 plans under section 440B;

15 "(3) which provides systematically for the pay-
16 ment of benefits—

17 "(A) objectively calculated pursuant to a
18 formula enumerated in the plan document with
19 respect to plan participants after retirement,
20 for life, and

21 "(B) in the form of life annuities, except
22 for benefits which under section 411(a)(11)
23 may be immediately distributed without the
24 consent of the participant;

1 "(4) for which the plan contributions for the
2 first plan year are at least 120 percent of the nor-
3 mal cost for the plan year;
4 "(5) which requires—
5 "(A) an annual valuation of the liability of
6 the plan as of a date within the plan year to
7 which the valuation refers or within one month
8 prior to the beginning of such year;
9 "(B) an annual actuarial determination of
10 the plan's current funded ratio and projected
11 funded ratio under section 438(a); and
12 "(C) corrective action through a realign-
13 ment program pursuant to section 439 when-
14 ever the plan's projected funding ratio is below
15 120 percent for the plan year; and
16 "(6) the board of trustees of which includes at
17 least one retiree or beneficiary in pay status during
18 each plan year following the first plan year in which
19 at least 5 percent of the participants in the plan are
20 retirees or beneficiaries in pay status.
21 "(b) COMPOSITE PLAN FEATURE MAY BE ADDED TO
22 A MULTIEMPLOYER DEFINED BENEFIT PLAN.—
23 "(1) IN GENERAL.—The plan sponsor of a de-
24 fined benefit plan that is a multiemployer plan may
25 amend the plan to incorporate the features of a com-

1 posite plan as a component of the multiemployer
2 plan separate from the defined benefit plan compo-
3 nent, except in the case of a defined benefit plan for
4 which the plan actuary has certified under section
5 432(b)(3) that the plan is or will be in critical status
6 for the plan year in which such amendment would
7 become effective or for any of the succeeding 5 plan
8 years.

9 ''(2) SPECIAL RULES.—If a multiemployer plan
10 is amended pursuant to paragraph (1)—

11 ''(A) the requirements of this title shall be
12 applied to the composite plan component and
13 the defined benefit plan component of the mul-
14 tiemployer plan as if each such component were
15 maintained as a separate plan; and

16 ''(B) the assets of the composite plan com-
17 ponent and the defined benefit plan component
18 of the plan shall be held in a single trust form-
19 ing part of the plan under which the trust in-
20 strument expressly provides—

21 ''(i) for separate accounts (and appro-
22 priate records) to be maintained to reflect
23 the interest which each of the plan compo-
24 nents has in the trust, including separate
25 accounting for additions to the trust for

1 the benefit of each plan component, dis-
2 bursements made from each plan compo-
3 nent's account in the trust, investment ex-
4 perience of the trust allocable to that ac-
5 count, and administrative expenses (wheth-
6 er direct expenses or shared expenses allo-
7 cated proportionally), and permits, but
8 does not require, the pooling of some or all
9 of the assets of the two plan components
10 for investment purposes; and
11 "(ii) that the assets of each of the two
12 plan components shall be held, invested,
13 reinvested, managed, administered and dis-
14 tributed for the exclusive benefit of the
15 participants and beneficiaries of each such
16 plan component, and in no event shall the
17 assets of one of the plan components be
18 available to pay benefits due under the
19 other plan component.
20 "(3) REFERENCES TO COMPOSITE PLAN COM-
21 PONENT.—For purposes of this subpart, the term
22 'composite plan' includes a composite plan compo-
23 nent added to a defined benefit plan pursuant to
24 paragraph (1).

1 "(c) COORDINATION WITH FUNDING RULES.—Ex-
2 cept as otherwise provided in this title, sections 431 and
3 432 shall not apply to a composite plan.

4 "(d) TREATMENT OF A COMPOSITE PLAN.—For pur-
5 poses of this title (other than sections 412 and 418E),
6 a composite plan shall be treated as if it were a defined
7 benefit plan unless a different treatment is provided for
8 under applicable law.

9 **"SEC. 438. FUNDED RATIOS; ACTUARIAL ASSUMPTIONS.**

10 "(a) CERTIFICATION OF FUNDED RATIOS.—

11 "(1) IN GENERAL.—Not later than the 120th
12 day of each plan year of a composite plan, the plan
13 actuary of the composite plan shall certify to the
14 Secretary, the Secretary of Labor, and the plan
15 sponsor the plan's current funded ratio and pro-
16 jected funded ratio for the plan year.

17 "(2) DETERMINATION OF CURRENT FUNDED
18 RATIO AND PROJECTED FUNDED RATIO.—For pur-
19 poses of this section—

20 "(A) CURRENT FUNDED RATIO.—The cur-
21 rent funded ratio is the ratio (expressed as a
22 percentage) of—

23 "(i) the value of the plan's assets as
24 of the first day of the plan year, to

1 "(ii) the plan actuary's best estimate
2 of the present value of the plan liabilities
3 as of the first day of the plan year.
4 "(B) PROJECTED FUNDED RATIO.—The
5 projected funded ratio is the current funded
6 ratio projected to the first day of the 15th plan
7 year following the plan year for which the de-
8 termination is being made.
9 "(3) CONSIDERATION OF CONTRIBUTION RATE
10 INCREASES.—For purposes of projections under this
11 subsection, the plan sponsor may anticipate con-
12 tribution rate increases beyond the term of the cur-
13 rent collective bargaining agreement and any agreed-
14 to supplements, up to a maximum of 2.5 percent per
15 year, compounded annually, unless it would be un-
16 reasonable under the circumstances to assume that
17 contributions would increase by that amount.
18 "(b) ACTUARIAL ASSUMPTIONS AND METHODS.—
19 For purposes of this part—
20 "(1) IN GENERAL.—All costs, liabilities, rates
21 of interest, and other factors under the plan shall be
22 determined for a plan year on the basis of actuarial
23 assumptions and methods—

1 "(A) each of which is reasonable (taking
2 into account the experience of the plan and rea-
3 sonable expectations);
4 "(B) which, in combination, offer the actu-
5 ary's best estimate of anticipated experience
6 under the plan; and
7 "(C) with respect to which any change
8 from the actuarial assumptions and methods
9 used in the previous plan year shall be certified
10 by the plan actuary and the actuarial rationale
11 for such change provided in the annual report
12 required by section 6058.
13 "(2) FAIR MARKET VALUE OF ASSETS.—The
14 value of the plan's assets shall be taken into account
15 on the basis of their fair market value.
16 "(3) DETERMINATION OF NORMAL COST AND
17 PLAN LIABILITIES.—A plan's normal cost and liabil-
18 ities shall be based on the most recent actuarial
19 valuation required under section 437(a)(5)(A) and
20 the unit credit funding method.
21 "(4) TIME WHEN CERTAIN CONTRIBUTIONS
22 DEEMED MADE.—Any contributions for a plan year
23 made by an employer after the last day of such plan
24 year, but not later than two and one-half months
25 after such day, shall be deemed to have been made

1 on such last day. For purposes of this paragraph,
2 such two and one-half month period may be ex-
3 tended for not more than six months under regula-
4 tions prescribed by the Secretary.
5 ''(5) ADDITIONAL ACTUARIAL ASSUMPTIONS.—
6 Except where otherwise provided in this subpart, the
7 provisions of section 432(b)(3)(B) shall apply to any
8 determination or projection under this subpart.
9 **''SEC. 439. REALIGNMENT PROGRAM.**
10 ''(a) ADOPTION.—
11 ''(1) ADOPTION.—In any case in which the plan
12 actuary certifies under section 438 that the plan's
13 projected funded ratio is below 120 percent for the
14 plan year, the plan sponsor shall adopt a realign-
15 ment program under paragraph (2) not later than
16 210 days after the due date of the certification re-
17 quired under section 438(a)(1). The plan sponsor
18 shall adopt an updated realignment program for
19 each succeeding plan year for which a certification
20 described in the preceding sentence is made.
21 ''(2) CONTENT OF REALIGNMENT PROGRAM.—
22 ''(A) IN GENERAL.—A realignment pro-
23 gram adopted under this paragraph is a written
24 program which consists of all reasonable meas-
25 ures, including options or a range of options to

1 be undertaken by the plan sponsor or proposed
2 to the bargaining parties, formulated, based on
3 reasonably anticipated experience and reason-
4 able actuarial assumptions, to enable the plan
5 to achieve a projected funding ratio of at least
6 120 percent for the following plan year.

7 ''(B) INITIAL PROGRAM ELEMENTS.—Rea-
8 sonable measures under a realignment program
9 described in subparagraph (A) may include any
10 of the following:

11 ''(i) Proposed contribution increases.

12 ''(ii) A reduction in the rate of future
13 benefit accruals, so long as the resulting
14 rate shall not be less than 1 percent of the
15 contributions on which benefits are based
16 as of the start of the plan year (or the
17 equivalent standard accrual rate as de-
18 scribed in section 432(e)(6)).

19 ''(iii) A modification or elimination of
20 adjustable benefits of participants that are
21 not in pay status before the date of the no-
22 tice required under subsection (c).

23 ''(iv) Any other legally available meas-
24 ures not specifically described in this sub-
25 paragraph or subparagraph (C) or (D)

1 that the plan sponsor determines are rea-
2 sonable.
3 "(C) ADDITIONAL PROGRAM ELEMENTS.—
4 If the plan sponsor has determined that all rea-
5 sonable measures available under subparagraph
6 (B) will not enable the plan to achieve a pro-
7 jected funded ratio of at least 120 percent the
8 following plan year, such reasonable measures
9 may also include—
10 "(i) a reduction of accrued benefits
11 that are not in pay status by the date of
12 the notice required under subsection (c); or
13 "(ii) a reduction of any benefits of
14 participants that are in pay status before
15 the date of the notice required under sub-
16 section (c) other than core benefits as de-
17 fined in paragraph (4).
18 "(D) ADDITIONAL REDUCTIONS.—In the
19 case of a composite plan for which the plan
20 sponsor has determined that all reasonable
21 measures available under subparagraphs (B)
22 and (C) will not enable the plan to achieve a
23 projected funded ratio of at least 120 percent
24 for the following plan year, such reasonable
25 measures may also include—

1 "(i) a further reduction in the rate of
2 future benefit accruals without regard to
3 the limitation applicable under subpara-
4 graph (B)(ii); or
5 "(ii) a reduction of core benefits,
6 provided that such reductions shall be equitably
7 distributed across the participant and bene-
8 ficiary population, taking into account factors,
9 with respect to participants and beneficiaries
10 and their benefits, that may include one or
11 more of the factors listed in subclauses (I)
12 through (X) of section 432(e)(9)(D)(vi), to the
13 extent necessary to enable the plan to achieve
14 a projected funded ratio of at least 120 percent
15 for the following plan year, or at the election of
16 the plan sponsor, a projected funded ratio of at
17 least 100 percent for the following plan year
18 and a current funded ratio of at least 90 per-
19 cent.
20 "(3) ADJUSTABLE BENEFIT DEFINED.—For
21 purposes of this subpart, the term 'adjustable ben-
22 efit' means—
23 "(A) benefits, rights, and features under
24 the plan, including post-retirement death bene-

fits, 60-month guarantees, disability benefits not yet in pay status, and similar benefits;

"(B) any early retirement benefit or retirement-type subsidy (within the meaning of section 411(d)(6)(B)(i))) and any benefit payment option (other than the qualified joint and survivor annuity); and

"(C) benefit increases that were adopted (or, if later, took effect) less than 60 months before the first day such realignment program took effect.

"(4) CORE BENEFIT DEFINED.—For purposes of this subpart, the term 'core benefit' means a participant's accrued benefit payable in the normal form of an annuity commencing at normal retirement age, determined without regard to—

"(A) any early retirement benefits, retirement-type subsidies, or other benefits, rights, or features that may be associated with that benefit; and

"(B) any cost-of-living adjustments or benefit increases effective after the date of retirement.

"(b) COORDINATION WITH CONTRIBUTION INCREASES.—

1 "(1) IN GENERAL.—A realignment program
2 may provide that some or all of the benefit modifica-
3 tions described in the program will only take effect
4 if the bargaining parties fail to agree to specified
5 levels of increases in contributions to the plan, effec-
6 tive as of specified dates.

7 "(2) INDEPENDENT BENEFIT MODIFICA-
8 TIONS.—If a realignment program adopts any
9 changes to the benefit formula that are independent
10 of potential contribution increases, such changes
11 shall take effect not later than the first day of the
12 first plan year that begins following the adoption of
13 the realignment program.

14 "(3) CONDITIONAL BENEFIT MODIFICATIONS.—
15 If a realignment program adopts any changes to the
16 benefit formula that take effect only if the bar-
17 gaining parties fail to agree to contribution in-
18 creases, such changes shall take effect not later than
19 the first day of the first plan year beginning after
20 the third anniversary of the date of adoption of the
21 realignment program.

22 "(4) REVOCATION OF CERTAIN BENEFIT MODI-
23 FICATIONS.—Benefit modifications described in
24 paragraph (3) may be revoked, in whole or in part,
25 and retroactively or prospectively, when contribu-

1 tions to the plan are increased, as specified in the
2 realignment program, including any amendments
3 thereto. The preceding sentence shall not apply un-
4 less the contribution increases are to be effective not
5 later than the fifth anniversary of the first day of
6 the first plan year that begins after the adoption of
7 the realignment program.
8 ''(c) NOTICE.—
9 ''(1) IN GENERAL.—In any case in which it is
10 certified under section 438 that the projected funded
11 ratio is less than 120 percent, the plan sponsor
12 shall, not later than 30 days after the date of the
13 certification, provide notification of the current and
14 projected funded ratios to the participants and bene-
15 ficiaries, the bargaining parties, and the Secretary.
16 Such notice shall include—
17 ''(A) an explanation that contribution rate
18 increases or benefit reductions may be nec-
19 essary;
20 ''(B) a description of the types of benefits
21 that might be reduced; and
22 ''(C) an estimate of the contribution in-
23 creases and benefit reductions that may be nec-
24 essary to achieve a projected funded ratio of
25 120 percent.

1 "(2) NOTICE OF BENEFIT MODIFICATIONS.—
2 "(A) IN GENERAL.—No modifications may
3 be made that reduce the rate of future benefit
4 accrual or that reduce core benefits or adjust-
5 able benefits unless notice of such reduction has
6 been given at least 30 days before the general
7 effective date of such reduction for all partici-
8 pants and beneficiaries to—
9 "(i) plan participants and bene-
10 ficiaries;
11 "(ii) each employer who has an obliga-
12 tion to contribute to the composite plan;
13 and
14 "(iii) each employee organization
15 which, for purposes of collective bar-
16 gaining, represents plan participants em-
17 ployed by such employers.
18 "(B) CONTENT OF NOTICE.—The notice
19 under subparagraph (A) shall contain—
20 "(i) sufficient information to enable
21 participants and beneficiaries to under-
22 stand the effect of any reduction on their
23 benefits, including an illustration of any
24 affected benefit or subsidy, on an annual
25 or monthly basis that a participant or ben-

1 eficiary would otherwise have been eligible
2 for as of the general effective date de-
3 scribed in subparagraph (A), and
4 "(ii) information as to the rights and
5 remedies of plan participants and bene-
6 ficiaries as well as how to contact the De-
7 partment of Labor for further information
8 and assistance, where appropriate.
9 "(C) FORM AND MANNER.—Any notice
10 under subparagraph (A)—
11 "(i) shall be provided in a form and
12 manner prescribed in regulations of the
13 Secretary of Labor,
14 "(ii) shall be written in a manner so
15 as to be understood by the average plan
16 participant.
17 "(3) MODEL NOTICES.—The Secretary shall—
18 "(A) prescribe model notices that the plan
19 sponsor of a composite plan may use to satisfy
20 the notice requirements under this subsection;
21 and
22 "(B) by regulation enumerate any details
23 related to the elements listed in paragraph (1)
24 that any notice under this subsection must in-
25 clude.

1 "(4) ELECTRONIC DELIVERY.—The Secretary
2 of Labor shall by regulation permit any notice under
3 this part to be provided by electronic means, so long
4 as physical copies are provided to participants and
5 beneficiaries upon request.

6 **"SEC. 440. LIMITATION ON INCREASING BENEFITS.**

7 "(a) LEVEL OF CURRENT FUNDED RATIOS.—Except
8 as provided in subsections (c), (d), and (e), no plan
9 amendment increasing benefits or establishing new bene-
10 fits under a composite plan may be adopted for a plan
11 year unless—

12 "(1) the plan's current funded ratio is at least
13 110 percent (without regard to the benefit increase
14 or new benefits);

15 "(2) taking the benefit increase or new benefits
16 into account, the current funded ratio is at least 100
17 percent and the projected funded ratio for the cur-
18 rent plan year is at least 120 percent;

19 "(3) in any case in which, after taking the ben-
20 efit increase or new benefits into account, the cur-
21 rent funded ratio is less than 140 percent or the
22 projected funded ratio is less than 140 percent, the
23 benefit increase or new benefits are projected by the
24 plan actuary to increase the present value of the

1 plan's liabilities for the plan year by not more than
2 3 percent; and
3 "(4) expected contributions for the current plan
4 year are at least 120 percent of normal cost for the
5 plan year, determined using the unit credit funding
6 method and treating the benefit increase or new ben-
7 efits as in effect for the entire plan year.
8 "(b) ADDITIONAL REQUIREMENTS WHERE CORE
9 BENEFITS REDUCED.—If a plan has been amended to re-
10 duce core benefits pursuant to a realignment program
11 under section 439(a)(2)(D), such plan may not be subse-
12 quently amended to increase core benefits unless the
13 amendment—
14 "(1) increases the level of future benefit pay-
15 ments only; and
16 "(2) provides for an equitable distribution of
17 benefit increases across the participant and bene-
18 ficiary population, taking into account the extent to
19 which the benefits of participants were previously re-
20 duced pursuant to such realignment program.
21 "(c) EXCEPTION TO COMPLY WITH APPLICABLE
22 LAW.—Subsection (a) shall not apply in connection with
23 a plan amendment if the amendment is required as a con-
24 dition of qualification under part I of subchapter D of
25 chapter 1 or to comply with other applicable law.

1 "(d) EXCEPTION WHERE MAXIMUM DEDUCTIBLE
2 LIMIT APPLIES.—Subsection (a) shall not apply in con-
3 nection with a plan amendment if and to the extent that
4 contributions to the composite plan would not be deduct-
5 ible for the plan year under section 404(a)(1)(E) if the
6 plan amendment is not adopted. The Secretary of the
7 Treasury shall issue regulations to implement this para-
8 graph.
9 "(e) EXCEPTION FOR CERTAIN BENEFIT MODIFICA-
10 TIONS.—Subsection (a) shall not apply in connection with
11 a plan amendment under section 439(b)(3), regarding
12 conditional benefit modifications.
13 "(f) TREATMENT OF PLAN AMENDMENTS.—For pur-
14 poses of this section—
15 "(1) if 2 or more plan amendments increasing
16 benefits or establishing new benefits are adopted in
17 a plan year, such amendments shall be treated as a
18 single amendment adopted on the last day of the
19 plan year;
20 "(2) all benefit increases and new benefits
21 adopted in a single amendment are treated as a sin-
22 gle benefit increase, irrespective of whether the in-
23 creases and new benefits take effect in more than
24 one plan year; and

1 "(3) increases in contributions or decreases in
2 plan liabilities which are scheduled to take effect in
3 future plan years may be taken into account in con-
4 nection with a plan amendment if they have been
5 agreed to in writing or otherwise formalized by the
6 date the plan amendment is adopted.

7 **"SEC. 440A. COMPOSITE PLAN RESTRICTIONS TO PRE-**
8 **SERVE LEGACY PLAN FUNDING.**

9 "(a) TREATMENT AS A LEGACY PLAN.—
10 "(1) IN GENERAL.—For purposes of this sub-
11 chapter, a defined benefit plan shall be treated as a
12 legacy plan with respect to a composite plan to the
13 extent to which a class of employees who were eligi-
14 ble to accrue a benefit under the defined benefit plan
15 become eligible to accrue a benefit under such com-
16 posite plan.

17 "(2) COMPONENT PLANS.—In any case in
18 which a defined benefit plan is amended to add a
19 composite plan component pursuant to section
20 437(b), paragraph (1) shall be applied by sub-
21 stituting 'defined benefit component' for 'defined
22 benefit plan' and 'composite plan component' for
23 'composite plan'.

24 "(3) ELIGIBLE TO ACCRUE A BENEFIT.—For
25 purposes of paragraph (1), an employee is consid-

1 ered eligible to accrue a benefit under a composite
2 plan as of the first day of the month following the
3 first month in which the employee completes an hour
4 of service under a collective bargaining agreement
5 that provides for contributions to the composite plan
6 and eliminates accruals in the legacy plan.
7 ''(4) COLLECTIVE BARGAINING AGREEMENT.—
8 As used in this subpart, the term 'collective bar-
9 gaining agreement' includes any agreement under
10 which an employer has an obligation to contribute to
11 a plan.
12 ''(5) OTHER TERMS.—Any term used in this
13 subpart which is not defined in this part and which
14 is also used in section 432 shall have the same
15 meaning provided such term in such section.
16 ''(b) RESTRICTIONS ON ACCEPTANCE BY COMPOSITE
17 PLAN OF AGREEMENTS AND CONTRIBUTIONS.—
18 ''(1) IN GENERAL.—The plan sponsor of a com-
19 posite plan shall not accept or recognize a collective
20 bargaining agreement (or any modification so such
21 agreement), and no contributions may be accepted
22 and no benefits may be accrued or otherwise earned
23 under the agreement, unless the agreement requires
24 each employer who is a party to such agreement to
25 provide contributions to the legacy plan with respect

1 to such composite plan in a manner that satisfies
2 the transition contribution requirements of sub-
3 section (d).
4 ''(2) NOTICE.—Not later than 30 days after a
5 determination by a plan sponsor of a composite plan
6 that an agreement fails to satisfy the requirements
7 described in paragraph (1), the plan sponsor shall
8 provide notification of such failure and the reasons
9 for such determination to—
10 ''(A) the parties to the agreement;
11 ''(B) active participants of the composite
12 plan who have ceased to accrue or otherwise
13 earn benefits with respect to service with an
14 employer pursuant to paragraph (1); and
15 ''(C) the Secretary of Labor, the Secretary
16 of the Treasury, and the Pension Benefit Guar-
17 anty Corporation.
18 ''(3) LIMITATION ON RETROACTIVE EFFECT.—
19 This subsection shall not apply to benefits accrued
20 before the date on which notice is provided under
21 paragraph (2).
22 ''(c) RESTRICTION ON ACCRUAL OF BENEFITS
23 UNDER A COMPOSITE PLAN.—
24 ''(1) IN GENERAL.—In any case in which an
25 employer, under a collective bargaining agreement

1 entered into after the date of the enactment of the
2 Multiemployer Pension Modernization Act of 2016,
3 ceases to have an obligation to contribute to a multi-
4 employer defined benefit plan for one or more class-
5 es of employees, no such class of employees em-
6 ployed by the employer may accrue or otherwise earn
7 benefits under a composite plan, with respect to
8 service with that employer, for a 60-month period
9 beginning on the date on which the employer entered
10 into such collective bargaining agreement.

11 "(2) NOTICE OF CESSATION OF OBLIGATION.—
12 Within 30 days of determining that an employer has
13 ceased to have an obligation to contribute to a leg-
14 acy plan with respect to one or more classes of em-
15 ployees employed by an employer that is or will be
16 contributing to a composite plan with respect to
17 service of such employees, the plan sponsor of the
18 legacy plan shall notify the plan sponsor of the com-
19 posite plan of that cessation.

20 "(3) NOTICE OF CESSATION OF ACCRUALS.—
21 Not later than 30 days after receiving a notice under
22 paragraph (2) and determining the accuracy of the
23 information, the plan sponsor of the composite plan
24 shall notify the bargaining parties, the active partici-
25 pants affected by the cessation of accruals, the Sec-

1 retary, the Secretary of Labor, and the Pension
2 Benefit Guaranty Corporation of the cessation of ac-
3 cruals, the period during which such cessation is in
4 effect, and the reasons therefor.

5 ‘‘(4) LIMITATION ON RETROACTIVE EFFECT.—
6 This subsection shall not apply to benefits accrued
7 before the date on which notice is provided under
8 paragraph (3).

9 ‘‘(d) TRANSITION CONTRIBUTION REQUIREMENTS.—

10 ‘‘(1) IN GENERAL.—A collective bargaining
11 agreement satisfies the transition contribution re-
12 quirements of this subsection if the agreement—

13 ‘‘(A) authorizes for payment of contribu-
14 tions to a legacy plan at a rate or rates equal
15 to or greater than the transition contribution
16 rate established under paragraph (2); and

17 ‘‘(B) does not provide for—

18 ‘‘(i) a suspension of contributions to
19 the legacy plan with respect to any period
20 of service; or

21 ‘‘(ii) any new direct or indirect exclu-
22 sion of younger or newly hired employees
23 of the employer from being taken into ac-
24 count in determining contributions owed to
25 the legacy plan.

1 "(2) TRANSITION CONTRIBUTION RATE.—
2 "(A) IN GENERAL.—The transition con-
3 tribution rate for a plan year is the contribution
4 rate that, as certified by the actuary of the leg-
5 acy plan, in accordance with the principles in
6 section 432(b)(3)(B) is reasonably expected to
7 be adequate—
8 "(i) to fund the normal cost for the
9 plan year,
10 "(ii) to amortize the plan's unfunded
11 liabilities in level annual installments over
12 25 years, beginning with the plan year in
13 which the transition contribution rate is
14 first established; and
15 "(iii) to amortize any subsequent
16 changes in the legacy plan's unfunded li-
17 ability due to experience gains or losses,
18 changes in actuarial assumptions, changes
19 to the legacy plan's benefits, or changes in
20 funding method over a period of 15 plan
21 years beginning with the plan year in
22 which such change in unfunded liability is
23 incurred.
24 The transition contribution rate for any plan
25 year may not be less than the transition con-

1 tribution rate for the plan year in which such
2 rate is first established.

3 "(B) MULTIPLE RATES.—If different rates
4 of contribution are payable to the legacy plan
5 by different employers or for different classes of
6 employees, the certification shall specify a tran-
7 sition contribution rate for each such employer
8 or class of employees.

9 "(C) RATE APPLICABLE TO EMPLOYER.—

10 "(i) IN GENERAL.—Except as pro-
11 vided by clause (ii), the transition con-
12 tribution rate applicable to an employer for
13 a plan year is the rate in effect for the
14 plan year of the legacy plan that com-
15 mences on or after 180 days before the
16 earlier of—

17 "(I) the effective date of the col-
18 lective bargaining agreement pursuant
19 to which the employer contributes to
20 the legacy plan; or

21 "(II) 5 years after the last plan
22 year for which the transition contribu-
23 tion rate applicable to the employer
24 was established or updated.

1 "(ii) EXCEPTION.—The transition
2 contribution rate applicable to an employer
3 for the first plan year beginning on or
4 after the commencement of the employer's
5 obligation to contribute to the composite
6 plan is the rate in effect for the plan year
7 of the legacy plan that commences on or
8 after 180 days before such first plan year.
9 "(D) EFFECT OF LEGACY PLAN FINANCIAL
10 CIRCUMSTANCES.—If the plan actuary of the
11 legacy plan has certified under section 432 that
12 the plan is in endangered or critical status for
13 a plan year, the transition contribution rate for
14 the following plan year is the rate determined
15 with respect to the employer under the legacy
16 plan's funding improvement or rehabilitation
17 plan under section 432, if greater than the rate
18 otherwise determined, but in no event greater
19 than 75 percent of the sum of the contribution
20 rates applicable to the legacy plan and the com-
21 posite plan for the plan year.
22 "(E) OTHER ACTUARIAL ASSUMPTIONS
23 AND METHODS.—Except as provided in sub-
24 paragraph (A), the determination of the transi-
25 tion contribution rate for a plan year shall be

1 based on actuarial assumptions and methods
2 consistent with the minimum funding deter-
3 minations made under section 431 (or, if appli-
4 cable, section 432) with respect to the legacy
5 plan for the plan year.

6 ''(F) ADJUSTMENTS IN RATE.—The plan
7 sponsor of a legacy plan from time to time may
8 adjust the transition contribution rate or rates
9 applicable to an employer under this paragraph
10 by increasing some rates and decreasing others
11 if the actuary certifies that such adjusted rates
12 in combination will produce projected contribu-
13 tion income for the plan year beginning on or
14 after the date of certification that is not less
15 than would be produced by the transition con-
16 tribution rates in effect at the time of the cer-
17 tification.

18 ''(G) NOTICE OF TRANSITION CONTRIBU-
19 TION RATE.—The plan sponsor of a legacy plan
20 shall provide notice to the parties to collective
21 bargaining agreements pursuant to which con-
22 tributions are made to the legacy plan of
23 changes to the transition contribution rate re-
24 quirements at least 30 days before the begin-

1 ning of the plan year for which the rate is effec-
2 tive.
3 "(H) NOTICE TO COMPOSITE PLAN SPON-
4 SOR.—Not later than 30 days after a deter-
5 mination by the plan sponsor of a legacy plan
6 that a collective bargaining agreement provides
7 for a rate of contributions that is below the
8 transition contribution rate applicable to one or
9 more employers that are parties to the collective
10 bargaining agreement, the plan sponsor of the
11 legacy plan shall notify the plan sponsor of any
12 composite plan under which employees of such
13 employer would otherwise be eligible to accrue
14 a benefit.
15 "(3) CORRECTION PROCEDURES.—Pursuant to
16 standards prescribed by the Secretary of Labor, the
17 plan sponsor of a composite plan shall adopt rules
18 and procedures that give the parties to the collective
19 bargaining agreement notice of the failure of such
20 agreement to satisfy the transition contribution re-
21 quirements of this subsection, and a reasonable op-
22 portunity to correct such failure, not to exceed 180
23 days from the date of notice given under subsection
24 (b)(2).

1 "(e) TERMINATION OF COMPOSITE PLAN RESTRIC-
2 TIONS.—
3 "(1) IN GENERAL.—Beginning with the first
4 day of the first plan year of a defined benefit plan
5 that is a legacy plan with respect to which the plan
6 actuary certifies that the plan is fully funded, has
7 been fully funded for at least 3 out of the imme-
8 diately preceding 5 plan years, and is projected to
9 remain fully funded for at least the following 4 plan
10 years the provisions of subsections (a), (b), and (c)
11 shall cease to apply with respect to a collective bar-
12 gaining agreement to the extent the agreement, or a
13 predecessor agreement, provides or provided for con-
14 tributions to such plan.
15 "(2) DETERMINATION OF FULLY FUNDED.—A
16 plan is fully funded for purposes of paragraph (1)
17 if, as of the valuation date of the plan for a plan
18 year, the value of the plan's assets equals or exceeds
19 the present value of the plan's liabilities, determined
20 in accordance with the rules prescribed by the Pen-
21 sion Benefit Guaranty Corporation under sections
22 4219(c)(1)(D) and 4281 of Employee Retirement
23 Income and Security Act for multiemployer plans
24 terminating by mass withdrawal, as in effect for the
25 date of the determination.

1 "(3) OTHER APPLICABLE RULES.—Except as
2 provided in paragraph (2), actuarial determinations
3 and projections under this section shall be based on
4 the rules in section 432(b)(3) and section 440A(b).

5 **"SEC. 440B. MERGERS AND ASSET TRANSFERS OF COM-**
6 **POSITE PLANS.**

7 "(a) IN GENERAL.—Assets and liabilities of a com-
8 posite plan may only be merged with, or transferred to,
9 another plan if—
10 "(1) the plan or plans resulting from the merg-
11 er or transfer is a composite plan;
12 "(2) no participant's accrued benefit or adjust-
13 able benefit is lower immediately after the trans-
14 action than it was immediately before the trans-
15 action; and
16 "(3) the value of the assets transferred in the
17 case of a transfer reasonably reflects the value of the
18 amounts contributed with respect to the participants
19 whose benefits are being transferred, adjusted for al-
20 locable distributions, investment gains and losses,
21 and administrative expenses.
22 "(b) LEGACY PLAN.—
23 "(1) IN GENERAL.—After the merger or trans-
24 fer involving a composite plan, the legacy plan with
25 respect to an employer that is obligated to con-

1 tribute to the resulting composite plan is the legacy
2 plan that applied to that employer immediately be-
3 fore the merger or transfer.

4 "(2) MULTIPLE LEGACY PLANS.—If an em-
5 ployer is obligated to contribute to more than one
6 legacy plan with respect to employees eligible to ac-
7 crue benefits under more than one composite plan
8 and there is a merger or transfer of such composite
9 plans, such legacy plans continue to apply to that
10 employer with respect to the composite plan result-
11 ing from the merger or transfer.".

12 (2) CLERICAL AMENDMENT.—The table of sub-
13 parts for part III of subchapter D of chapter 1 of
14 the Internal Revenue Code of 1986 is amended by
15 adding at the end the following new item:

"SUBPART C. COMPOSITE PLANS AND LEGACY PLANS.".

16 (c) EFFECTIVE DATE.—The amendments made by
17 this section shall apply to plan years beginning after the
18 date of the enactment of this Act.

19 **SEC. 3. APPLICATION OF CERTAIN REQUIREMENTS TO**
20 **COMPOSITE PLANS.**

21 (a) AMENDMENTS TO THE EMPLOYEE RETIREMENT
22 INCOME SECURITY ACT OF 1974.—

23 (1) TREATMENT FOR PURPOSES OF FUNDING
24 NOTICES.—Section 101(f) of the Employee Retire-

1 ment Income Security Act of 1974 (29 U.S.C.
2 1021(f)) is amended—
3 (A) in paragraph (1) by striking "title IV
4 applies" and inserting "title IV applies or which
5 is a composite plan", and
6 (B) by adding at the end the following:
7 "(5) APPLICATION TO COMPOSITE PLANS.—The
8 provisions of this subsection shall apply to a com-
9 posite plan only to the extent prescribed by the Sec-
10 retary in regulations that take into account the dif-
11 ferences between a composite plan and a defined
12 benefit plan that is a multiemployer plan.".
13 (2) TREATMENT FOR PURPOSES OF ANNUAL
14 REPORT.—Section 103 of the Employee Retirement
15 Income Security Act of 1974 (29 U.S.C. 1023) is
16 amended—
17 (A) in subsection (d) by adding at the end
18 the following sentence: "The provisions of this
19 subsection shall apply to a composite plan only
20 to the extent prescribed by the Secretary in reg-
21 ulations that take into account the differences
22 between a composite plan and a defined benefit
23 plan that is a multiemployer plan.".
24 (B) in subsection (f) by adding at the end
25 the following:

1 "(3) ADDITIONAL INFORMATION FOR COM-
2 POSITE PLANS.—With respect to any composite
3 plan—
4 "(A) the provisions of paragraph (1)(A)
5 shall apply by substituting 'current funded ratio
6 (as defined in section 802(a)(2)(A))' for 'fund-
7 ed percentage' each place it appears, and
8 "(B) the provisions of paragraph (2) shall
9 apply only to the extent prescribed by the Sec-
10 retary in regulations that take into account the
11 differences between a composite plan and a de-
12 fined benefit plan that is a multiemployer
13 plan."; and
14 (C) by adding at the end the following:
15 "(g) COMPOSITE PLANS.—A multiemployer plan that
16 incorporates the features of a composite plan as provided
17 in section 801(b) shall be treated as a single plan for pur-
18 poses of the report required by this section, except that
19 separate financial statements and actuarial statements
20 shall be provided under paragraphs (3) and (4) of sub-
21 section (a) for the defined benefit plan component and for
22 the composite plan component of the multiemployer
23 plan.".
24 (3) TREATMENT FOR PURPOSES OF PENSION
25 BENEFIT STATEMENTS.—Section 105(a) of the Em-

1 ployee Retirement Income Security Act of 1974 (29
2 U.S.C. 1025(a)) is amended by adding at the end
3 the following:

4 "(4) COMPOSITE PLANS.—For purposes of this
5 subsection, a composite plan shall be treated as a
6 defined benefit plan to the extent prescribed by the
7 Secretary in regulations that take into account the
8 differences between a composite plan and a defined
9 benefit plan that is a multiemployer plan.".

10 (b) AMENDMENTS TO THE INTERNAL REVENUE
11 CODE OF 1986.—Section 6058 of the Internal Revenue
12 Code of 1986 is amended by redesignating subsection (f)
13 as subsection (g) and by inserting after subsection (e) the
14 following:

15 "(f) COMPOSITE PLANS.—A multiemployer plan that
16 incorporates the features of a composite plan as provided
17 in section 437(b) shall be treated as a single plan for pur-
18 poses of the return required by this section, except that
19 separate financial statements shall be provided for the de-
20 fined benefit plan component and for the composite plan
21 component of the multiemployer plan.".

22 (c) EFFECTIVE DATE.—The amendments made by
23 this section shall apply to plan years beginning after the
24 date of the enactment of this Act.

1 **SEC. 4. TREATMENT OF COMPOSITE PLANS UNDER TITLE**
2 **IV.**

3 (a) DEFINITION.—Section 4001(a) of the Employee
4 Retirement Income Security Act of 1974 (29 U.S.C.
5 1301(a)) is amended by striking the period at the end of
6 paragraph (21) and inserting a semicolon and by adding
7 at the end the following:

8 "(22) COMPOSITE PLAN.—The term 'composite
9 plan' has the meaning set forth in section 801.".

10 (b) COMPOSITE PLANS DISREGARDED FOR CALCU-
11 LATING PREMIUMS.—Section 4006(a) of such Act (29
12 U.S.C. 1306(a)) is amended by adding at the end the fol-
13 lowing:

14 "(9) The composite plan component of a multi-
15 employer plan shall be disregarded in determining
16 the premiums due under this section from the multi-
17 employer plan.".

18 (c) COMPOSITE PLANS NOT COVERED.—Section
19 4021(b)(1) of such Act (29 U.S.C. 1321(b)(1)) is amend-
20 ed by striking "Act" and inserting "Act, or a composite
21 plan, as defined in paragraph (43) of section 3 of this
22 Act".

23 (d) NO WITHDRAWAL LIABILITY.—Section 4201 of
24 such Act (29 U.S.C. 1381) is amended by adding at the
25 end the following:

1 "(c) Contributions by an employer to the composite
2 plan component of a multiemployer plan shall not be taken
3 into account for any purpose under this title.".
4 (e) NO WITHDRAWAL LIABILITY FOR CERTAIN
5 PLANS.—Section 4201 of such Act (29 U.S.C. 1381) is
6 further amended by adding at the end the following:
7 "(d) Contributions by an employer to a multiem-
8 ployer plan described in the except clause of section 3(35)
9 of this Act pursuant to a collective bargaining agreement
10 that specifically designates that such contributions shall
11 be allocated to the separate defined contribution accounts
12 of participants under the plan shall not be taken into ac-
13 count with respect to the defined benefit portion of the
14 plan for any purpose under this title (including the deter-
15 mination of the employer's highest contribution rate under
16 section 4219), even if, under the terms of the plan, partici-
17 pants have the option to transfer assets in their separate
18 defined contribution accounts to the defined benefit por-
19 tion of the plan in return for service credit under the de-
20 fined benefit portion, at rates established by the plan
21 sponsor.
22 "(e) A legacy plan created under section 805 shall
23 be deemed to have no unfunded vested benefits for pur-
24 poses of this part, for all plan years following a period
25 of 5 consecutive plan years for which—

1 "(1) the plan was fully funded within the meaning of section 805 for at least 3 of the plan years during that period, ending with a plan year for which the plan is fully funded;

"(2) the plan had no unfunded vested benefits for at least 3 of the plan years during that period, ending with a plan year for which the plan is fully funded; and

"(3) the plan is projected to be fully funded and to have no unfunded vested benefits for the following four plan years.".

(f) NO WITHDRAWAL LIABILITY FOR EMPLOYERS CONTRIBUTING TO CERTAIN FULLY FUNDED LEGACY PLANS.—Section 4211 of such Act (29 U.S.C. 1382) is amended by adding at the end the following:

"(g) No amount of unfunded vested benefits shall be allocated to an employer that has an obligation to contribute to a legacy plan described in subsection (e) of section 4201.".

(g) NO OBLIGATION TO CONTRIBUTE.—Section 4212 of such Act (29 U.S.C. 1392) is amended by adding at the end the following:

"(d) NO OBLIGATION TO CONTRIBUTE.—An employer shall not be treated as having an obligation to con-

1 tribute to a multiemployer defined benefit plan within the
2 meaning of subsection (a) solely because—
3 "(1) in the case of a multiemployer plan that
4 includes a composite plan component, the employer
5 has an obligation to contribute to the composite plan
6 component of the plan;
7 "(2) the employer has an obligation to con-
8 tribute to a composite plan that is maintained pur-
9 suant to one or more collective bargaining agree-
10 ments under which the multiemployer defined ben-
11 efit plan is or previously was maintained; or
12 "(3) the employer contributes or has contrib-
13 uted under section 805(d) to a legacy plan associ-
14 ated with a composite plan pursuant to a collective
15 bargaining agreement but employees of that em-
16 ployer were not eligible to accrue benefits under the
17 legacy plan with respect to service with that em-
18 ployer.".
19 (h) NO INFERENCE.—Nothing in the amendment
20 made by subsection (e) shall be construed to create an in-
21 ference with respect to the treatment under title IV of the
22 Employee Retirement Income Security Act of 1974, as in
23 effect before such amendment, of contributions by an em-
24 ployer to a multiemployer plan described in the except
25 clause of section 3(35) of such Act that are made before

1 the effective date of subsection (e) specified in subsection
2 (h)(2).
3 (i) EFFECTIVE DATE.—
4 (1) IN GENERAL.—Except as provided in sub-
5 paragraph (2), the amendments made by this section
6 shall apply to plan years beginning after the date of
7 the enactment of this Act.
8 (2) SPECIAL RULE FOR SECTION 414(K) MULTI-
9 EMPLOYER PLANS.—The amendment made by sub-
10 section (e) shall apply only to required contributions
11 payable for plan years beginning after the date of
12 the enactment of this Act.
13 **SEC. 5. CONFORMING CHANGES.**
14 (a) DEFINITIONS.—Section 3 of the Employee Re-
15 tirement Income Security Act of 1974 (29 U.S.C. 1002)
16 is amended—
17 (1) in paragraph (35), by inserting ‘‘or a com-
18 posite plan’’ after ‘‘other than an individual account
19 plan’’; and
20 (2) by adding at the end the following:
21 ‘‘(43) The term ‘composite plan’ has the mean-
22 ing given the term in section 801(a).’’.
23 (b) SPECIAL FUNDING RULE FOR CERTAIN LEGACY
24 PLANS.—

1 (1) AMENDMENT TO EMPLOYEE RETIREMENT
2 INCOME SECURITY ACT OF 1974.—Section 304(b) of
3 the Employee Retirement Income Security Act of
4 1974 (29 U.S.C. 1084(b)) is amended by adding at
5 the end the following:
6 "(9) SPECIAL FUNDING RULE FOR CERTAIN
7 LEGACY PLANS.—In the case of a multiemployer de-
8 fined benefit plan under which all future benefit ac-
9 cruals to the plan cease within a plan year ending
10 no more than 36 months after the date the plan be-
11 comes a legacy plan under section 805(a), the plan
12 sponsor may combine the outstanding balance of all
13 charge and credit bases and amortize that combined
14 base in level annual installments (until fully amor-
15 tized) over a period of thirty plan years beginning
16 with the plan year following the date all benefit ac-
17 cruals ceased.".
18 (2) AMENDMENT TO INTERNAL REVENUE CODE
19 OF 1986.—Section 431(b) of the Internal Revenue
20 Code of 1986 is amended by adding at the end the
21 following:
22 "(9) SPECIAL FUNDING RULE FOR CERTAIN
23 LEGACY PLANS.—In the case of a multiemployer de-
24 fined benefit plan under which all future benefit ac-
25 cruals to the plan cease within a plan year ending

1 no more than 36 months after the date the plan be-
2 comes a legacy plan under section 440A(a), the plan
3 sponsor may combine the outstanding balance of all
4 charge and credit bases and amortize that combined
5 base in level annual installments (until fully amor-
6 tized) over a period of thirty plan years beginning
7 with the plan year following the date on which all
8 benefit accruals ceased.''.

9 (c) BENEFITS AFTER MERGER, CONSOLIDATION, OR
10 TRANSFER OF ASSETS.—

11 (1) AMENDMENT TO EMPLOYEE RETIREMENT
12 INCOME SECURITY ACT OF 1974.—Section 208 of the
13 Employee Retirement Income Security Act of 1974
14 (29 U.S.C. 1058) is amended—

15 (A) by striking so much of the first sen-
16 tence as precedes ''may not merge'' and insert-
17 ing the following:

18 ''(1) IN GENERAL.—Except as provided in para-
19 graph (2), a pension plan may not merge, and''; and

20 (B) by striking the second sentence and
21 adding at the end the following:

22 ''(2) SPECIAL REQUIREMENTS FOR MULTIEM-
23 PLOYER PLANS.—Paragraph (1) shall not apply to
24 any transaction to the extent that participants either
25 before or after the transaction are covered under a

1 multiemployer plan to which title IV of this Act ap-
2 plies or a composite plan.''.
3 (2) AMENDMENTS TO INTERNAL REVENUE
4 CODE OF 1986.—
5 (A) QUALIFICATION REQUIREMENT.—Sec-
6 tion 401(a)(12) of the Internal Revenue Code
7 of 1986 is amended—
8 (i) by striking so much of paragraph
9 (12) as precedes ''shall not constitute'' and
10 inserting the following:
11 ''(12) BENEFITS AFTER MERGER, CONSOLIDA-
12 TION, OR TRANSFER OF ASSETS.—
13 ''(A) IN GENERAL.—Except as provided in
14 subparagraph (B), a trust''; and
15 (ii) by striking the second sentence
16 and adding at the end the following:
17 ''(B) SPECIAL REQUIREMENTS FOR MULTI-
18 EMPLOYER PLANS.—Subparagraph (A) shall
19 not apply to any multiemployer plan with re-
20 spect to any transaction to the extent that par-
21 ticipants either before or after the transaction
22 are covered under a multiemployer plan to
23 which title IV of the Employee Retirement In-
24 come Security Act of 1974 applies or a com-
25 posite plan.''.

1 (B) ADDITIONAL QUALIFICATION REQUIRE-
2 MENT.—Section 414(l) of such Code is amend-
3 ed—
4 (i) by striking so much of paragraph
5 (1) as precedes ''shall not constitute'' and
6 inserting the following:
7 ''(1) BENEFIT PROTECTIONS: MERGER, CON-
8 SOLIDATION, TRANSFER.—
9 ''(A) IN GENERAL.—Except as provided in
10 subparagraph (B), a trust which forms a part
11 of a plan''; and
12 (ii) by striking the second sentence
13 and adding at the end the following:
14 ''(B) SPECIAL REQUIREMENTS FOR MULTI-
15 EMPLOYER PLANS.—Subparagraph (A) does not
16 apply to any multiemployer plan with respect to
17 any transaction to the extent that participants
18 either before or after the transaction are cov-
19 ered under a multiemployer plan to which title
20 IV of the Employee Retirement Income Secu-
21 rity Act of 1974 applies or a composite plan.''.
22 (d) REQUIREMENTS FOR STATUS AS A QUALIFIED
23 PLAN.—
24 (1) REQUIREMENT THAT ACTUARIAL ASSUMP-
25 TIONS BE SPECIFIED.—Section 401(a)(25) of the In-

1 ternal Revenue Code of 1986 is amended by insert-
2 ing "(in the case of a composite plan, benefits objec-
3 tively calculated pursuant to a formula)" after "defi-
4 nitely determinable benefits".
5 (2) MISSING PARTICIPANTS IN TERMINATING
6 COMPOSITE PLAN.—Section 401(a)(34) of the Inter-
7 nal Revenue Code of 1986 is amended by striking ",
8 a trust" and inserting "or a composite plan, a
9 trust".
10 (e) DEDUCTION FOR CONTRIBUTIONS TO A QUALI-
11 FIED PLAN.—Section 404(a)(1) of the Internal Revenue
12 Code of 1986 is amended by redesignating subparagraph
13 (E) as subparagraph (F) and by inserting after subpara-
14 graph (D) the following:
15 "(E) COMPOSITE PLANS.—
16 "(i) IN GENERAL.—In the case of a
17 composite plan, subparagraph (D) shall
18 not apply and the maximum amount de-
19 ductible for a plan year shall be the excess
20 (if any) of—
21 "(I) 160 percent of the greater
22 of—
23 "(aa) the current liability of
24 the plan determined in accord-

1 ance with the principles of section 431(c)(6)(D); or
3 "(bb) the present value of plan liabilities as determined under section 438; over
6 "(II) the fair market value of the plan's assets, projected to the end of the plan year.
9 "(ii) SPECIAL RULES FOR PREDECESSOR MULTIEMPLOYER PLAN TO COMPOSITE PLAN.—
12 "(I) IN GENERAL.—Except as provided in subclause (II), if an employer contributes to a composite plan with respect to its employees, contributions by that employer to a multiemployer defined benefit plan with respect to some or all of the same group of employees shall be deductible under sections 162 and this section, subject to the limits in subparagraph (D).
23 "(II) TRANSITION CONTRIBUTION.—The full amount of a contribution to satisfy the transition contribu-

1 tion requirement (as defined in sec-
2 tion 440A(d)) and allocated to the
3 legacy defined benefit plan for the
4 plan year shall be deductible for the
5 employer's taxable year ending with or
6 within the plan year.''.

7 (f) MINIMUM VESTING STANDARDS.—

8 (1) YEARS OF SERVICE UNDER COMPOSITE
9 PLANS.—

10 (A) EMPLOYEE RETIREMENT INCOME SE-
11 CURITY ACT OF 1974.—Section 203 of the Em-
12 ployee Retirement Income Security Act of 1974
13 (29 U.S.C. 1053) is amended by inserting after
14 subsection (f) the following:

15 ''(g) SPECIAL RULES FOR COMPUTING YEARS OF
16 SERVICE UNDER COMPOSITE PLANS.—

17 ''(1) IN GENERAL.—In determining a qualified
18 employee's years of service under a composite plan
19 for purposes of this section, the employee's years of
20 service under a legacy plan shall be treated as years
21 of service earned under the composite plan. For pur-
22 poses of such determination, a composite plan shall
23 not be treated as a defined benefit plan pursuant to
24 section 801(d).

1 "(2) QUALIFIED EMPLOYEE.—For purposes of
2 this subsection, an employee is a qualified employee
3 if the employee first completes an hour of service
4 under the composite plan (determined without re-
5 gard to the provisions of this subsection) within the
6 12-month period immediately preceding or the 24-
7 month period immediately following the date the em-
8 ployee ceased to accrue benefits under the legacy
9 plan.

10 "(3) CERTIFICATION OF YEARS OF SERVICE.—
11 For purposes of paragraph (1), the plan sponsor of
12 the composite plan shall rely on a written certifi-
13 cation by the plan sponsor of the multiemployer de-
14 fined benefit plan of the years of service the quali-
15 fied employee completed under the defined benefit
16 plan as of the date the employee satisfies the re-
17 quirements of paragraph (2), disregarding any years
18 of service that had been forfeited under the rules of
19 the defined benefit plan before that date.

20 "(h) SPECIAL RULES FOR COMPUTING YEARS OF
21 SERVICE UNDER LEGACY PLANS.—

22 "(1) IN GENERAL.—In determining a qualified
23 employee's years of service under a legacy plan for
24 purposes of this section, and in addition to any serv-
25 ice under applicable regulations, the employee's

1 years of service under a composite plan shall be
2 treated as years of service earned under the legacy
3 plan. For purposes of such determination, a com-
4 posite plan shall not be treated as a defined benefit
5 plan pursuant to section 801(d).
6 "(2) QUALIFIED EMPLOYEE.—For purposes of
7 this subsection, an employee is a qualified employee
8 if the employee first completes an hour of service
9 under the composite plan (determined without re-
10 gard to the provisions of this subsection) within the
11 12-month period immediately preceding or the 24-
12 month period immediately following the date the em-
13 ployee ceased to accrue benefits under the legacy
14 plan.
15 "(3) CERTIFICATION OF YEARS OF SERVICE.—
16 For purposes of paragraph (1), the plan sponsor of
17 the legacy plan shall rely on a written certification
18 by the plan sponsor of the composite plan of the
19 years of service the qualified employee completed
20 under the composite plan after the employee satisfies
21 the requirements of paragraph (2), disregarding any
22 years of service that has been forfeited under the
23 rules of the composite plan.".
24 (B) INTERNAL REVENUE CODE OF 1986.—
25 Section 411(a) of the Internal Revenue Code of

1 1986 is amended by adding at the end the fol-
2 lowing:
3 "(14) SPECIAL RULES FOR DETERMINING
4 YEARS OF SERVICE UNDER COMPOSITE PLANS.—
5 "(A) IN GENERAL.—In determining a
6 qualified employee's years of service under a
7 composite plan for purposes of this subsection,
8 the employee's years of service under a multi-
9 employer defined benefit plan shall be treated
10 as years of service earned under the composite
11 plan. For purposes of such determination, a
12 composite plan shall not be treated as a defined
13 benefit plan pursuant to section 437(d).
14 "(B) QUALIFIED EMPLOYEE.—For pur-
15 poses of this paragraph, an employee is a quali-
16 fied employee if the employee first completes an
17 hour of service under the composite plan (deter-
18 mined without regard to the provisions of this
19 paragraph) within the 12-month period imme-
20 diately preceding or the 24-month period imme-
21 diately following the date the employee ceased
22 to accrue benefits under the multiemployer de-
23 fined benefit plan.
24 "(C) CERTIFICATION OF YEARS OF SERV-
25 ICE.—For purposes of subparagraph (A), the

1 plan sponsor of the composite plan shall rely on
2 a written certification by the plan sponsor of
3 the legacy plan of the years of service the quali-
4 fied employee completed under the legacy plan
5 as of the date the employee satisfies the re-
6 quirements of subparagraph (B), disregarding
7 any years of service that had been forfeited
8 under the rules of the defined benefit plan be-
9 fore that date.
10 "(15) SPECIAL RULES FOR COMPUTING YEARS
11 OF SERVICE UNDER LEGACY PLANS.—
12 "(A) IN GENERAL.—In determining a
13 qualified employee's years of service under a
14 legacy plan for purposes of this section, and in
15 addition to any service under applicable regula-
16 tions, the employee's years of service under a
17 composite plan shall be treated as years of serv-
18 ice earned under the legacy plan. For purposes
19 of such determination, a composite plan shall
20 not be treated as a defined benefit plan pursu-
21 ant to section 437(d).
22 "(B) QUALIFIED EMPLOYEE.—For pur-
23 poses of this paragraph, an employee is a quali-
24 fied employee if the employee first completes an
25 hour of service under the composite plan (deter-

1 mined without regard to the provisions of this
2 paragraph) within the 12-month period imme-
3 diately preceding or the 24-month period imme-
4 diately following the date the employee ceased
5 to accrue benefits under the legacy plan.
6 "(C) CERTIFICATION OF YEARS OF SERV-
7 ICE.—For purposes of subparagraph (A), the
8 plan sponsor of the legacy plan shall rely on a
9 written certification by the plan sponsor of the
10 composite plan of the years of service the quali-
11 fied employee completed under the composite
12 plan after the employee satisfies the require-
13 ments of subparagraph (B), disregarding any
14 years of service that has been forfeited under
15 the rules of the composite plan.".
16 (2) REDUCTION OF BENEFITS.—
17 (A) EMPLOYEE RETIREMENT INCOME SE-
18 CURITY ACT OF 1974.—Section 203(a)(3)(E)(ii)
19 of the Employee Retirement Income Security
20 Act of 1974 (29 U.S.C. 1053(a)(3)(E)(ii)) is
21 amended—
22 (i) in subclause (I) by striking
23 "4244A" and inserting "305(e), 803,";
24 and

1 (ii) in subclause (II) by striking
2 "4245" and inserting "305(e), 4245,".
3 (B) INTERNAL REVENUE CODE OF 1986.—
4 Section 411(a)(3)(F) of the Internal Revenue
5 Code of 1986 is amended—
6 (i) in clause (i) by striking "section
7 418D" and inserting "section 432(e), or
8 438, or under section 803 or 4281 of the
9 Employee Retirement Income Security Act
10 of 1974"; and
11 (ii) in clause (ii) by inserting "or
12 432(e)" after "section 418E".
13 (3) ACCRUED BENEFIT REQUIREMENTS.—
14 (A) EMPLOYEE RETIREMENT INCOME SE-
15 CURITY ACT OF 1974.—Section 204(b)(1)(B)(i)
16 of the Employee Retirement Income Security
17 Act of 1974 (29 U.S.C. 1054(b)(1)(B)(i)) is
18 amended by inserting ", including an amend-
19 ment reducing or suspending benefits under
20 section 305(e), 803, 4245 or 4281," after "any
21 amendment to the plan".
22 (B) INTERNAL REVENUE CODE OF 1986.—
23 Section 411(b)(1)(B)(i) of the Internal Revenue
24 Code of 1986 is amended by inserting ", includ-
25 ing an amendment reducing or suspending ben-

1 efits under section 418E, 432(e) or 438, or
2 under section 803 or 4281 of the Employee Re-
3 tirement Income Security Act of 1974," after
4 "any amendment to the plan".
5 (4) ADDITIONAL ACCRUED BENEFIT REQUIRE-
6 MENTS.—
7 (A) EMPLOYEE RETIREMENT INCOME SE-
8 CURITY ACT OF 1974.—Section 204(b)(1)(H)(v)
9 of the Employee Retirement Income Security
10 Act of 1974 (29 U.S.C. 1053(b)(1)(H)(v)) is
11 amended by inserting before the period at the
12 end the following: ", or benefits are reduced or
13 suspended under section 305(e), 803, 4245, or
14 4281".
15 (B) INTERNAL REVENUE CODE OF 1986.—
16 Section 411(b)(1)(H)(iv) of the Internal Rev-
17 enue Code of 1986 is amended—
18 (i) in the heading by striking "BEN-
19 EFIT" and inserting "BENEFIT AND THE
20 SUSPENSION AND REDUCTION OF CERTAIN
21 BENEFITS"; and
22 (ii) in the text by inserting before the
23 period at the end the following: ", or bene-
24 fits are reduced or suspended under sec-
25 tion 418E, 432(e), or 438, or under sec-

1 tion 803 or 4281 of the Employee Retire-
2 ment Income Security Act of 1974''.
3 (5) ACCRUED BENEFIT NOT TO BE DECREASED
4 BY AMENDMENT.—
5 (A) EMPLOYEE RETIREMENT INCOME SE-
6 CURITY ACT OF 1974.—Section 204(g)(1) of the
7 Employee Retirement Income Security Act of
8 1974 (29 U.S.C. 1053(g)(1)) is amended by in-
9 serting after ''302(d)(2)'' the following: '',
10 305(e), 803, 4245,''.
11 (B) INTERNAL REVENUE CODE OF 1986.—
12 Section 411(d)(6)(A) of the Internal Revenue
13 Code of 1986 is amended by inserting after
14 ''412(d)(2),'' the following: ''418E, 432(e), or
15 438,''.
16 (g) CERTAIN FUNDING RULES NOT APPLICABLE.—
17 (1) EMPLOYEE RETIREMENT INCOME SECURITY
18 ACT OF 1974.—Section 302(d) of the Employee Re-
19 tirement Income Security Act of 1974 (29 U.S.C.
20 1082(d)) is amended by adding at the end the fol-
21 lowing:
22 ''(4) CERTAIN EMPLOYERS CONTRIBUTION TO
23 LEGACY PLANS.—This section shall not apply to an
24 employer that is obligated to contribute both to a
25 plan that is a legacy plan within the meaning of sec-

1 tion 805(a) solely because it is obligated to con-
2 tribute and to a composite plan within the meaning
3 of section 801 that is associated with that legacy
4 plan.''.

5 (2) EMPLOYEE RETIREMENT INCOME SECURITY
6 ACT OF 1974.—Section 305 of the Employee Retire-
7 ment Income Security Act of 1974 (29 U.S.C. 1085)
8 is amended by adding at the end the following:

9 ''(j) LEGACY PLANS.—Sections 304 and 305 shall
10 not apply to an employer that has an obligation to con-
11 tribute to a plan that is a legacy plan within the meaning
12 of section 805(a) solely because the employer has an obli-
13 gation to contribute to a composite plan described in sec-
14 tion 801 that is associated with that legacy plan.''.

15 (3) INTERNAL REVENUE CODE OF 1986.—Sec-
16 tion 432 of the Internal Revenue Code of 1986 is
17 amended by adding at the end the following:

18 ''(j) LEGACY PLANS.—Sections 431 and 432 shall
19 not apply to an employer that has an obligation to con-
20 tribute to a plan that is a legacy plan within the meaning
21 of section 440A solely because the employer has an obliga-
22 tion to contribute to a composite plan described in section
23 437 that is associated with that legacy plan.''.

1 (h) TERMINATION OF COMPOSITE PLAN.—Section
2 403(d) of the Employee Retirement Income Security Act
3 of 1974 (29 U.S.C. 1103(d) is amended—
4 (1) in paragraph (1), by striking "regulations
5 of the Secretary." and inserting "regulations of the
6 Secretary, or as provided in paragraph (3)."; and
7 (2) by adding at the end the following:
8 "(3) Section 4044(a) of this Act shall be ap-
9 plied in the case of the termination of a composite
10 plan by—
11 "(A) limiting the benefits subject to para-
12 graph (3) thereof to benefits as defined in sec-
13 tion 802(b)(3)(B); and
14 "(B) including in the benefits subject to
15 paragraph (4) all other benefits (if any) of indi-
16 viduals under the plan that would be guaran-
17 teed under section 4022A if the plan were sub-
18 ject to title IV.".
19 (i) GOOD FAITH COMPLIANCE PRIOR TO GUID-
20 ANCE.—Where the implementation of any provision of law
21 added or amended by this Act is subject to issuance of
22 regulations by the Secretary of Labor, the Secretary of
23 the Treasury, or the Pension Benefit Guaranty Corpora-
24 tion, a multiemployer plan shall not be treated as failing
25 to meet the requirements of any such provision prior to

1 the issuance of final regulations or other guidance to carry
2 out such provision if such plan is operated in accordance
3 with a reasonable, good faith interpretation of such provi-
4 sion.

5 **SEC. 6. EFFECTIVE DATE.**

6 Unless otherwise specified, the amendments made by
7 this Act shall apply to plan years beginning after the date
8 of the enactment of this Act.