

To our clients and friends:

The President on June 25 signed into law a bill that includes multiemployer defined benefit pension plan funding relief. The pension funding relief provisions of the "Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010" (P.L.111-192) are generally effective the first day of the first plan year ending after Aug. 31, 2008.

The new law provides for the following special relief rules if a solvency test is satisfied:

AMORTIZATION OF NET INVESTMENT LOSSES

- A plan may elect a 30-year amortization period for the net investment losses incurred in either or both of the first two plan years ending after Aug. 31, 2008. Under current law, all experience losses and gains are amortized over 15 years.

EXTENDED ASSET SMOOTHING PERIOD

- A plan may elect a smoothing period of up to 10 years of the net investment losses incurred in either or both of the first two plan years ending after Aug. 31, 2008. Current law allows up to five years.

WIDENED ASSET CORRIDOR

- A plan may elect a wider asset corridor for either or both of the first two plan years beginning after Aug. 31, 2008. The actuarial value of assets may be no less than 80% and no more than 130% of the fair market asset value (the "80% - 130% corridor"). Current law requires an 80% - 120% corridor.

Solvency Test

- The solvency test is met only if the plan is projected to have sufficient assets to pay benefits and anticipated expenses over the amortization period taking into account the above changes.

Benefit Increase Restrictions

- Benefit increases may not go into effect during either of the two plan years immediately following a plan year in which the funding relief applies unless the plan actuary certifies that the increases are fully paid for by additional contributions and the plan is projected to attain a funded percentage and an ERISA Credit Balance for these two years that is "reasonably expected to be at least as high" as if benefits were not increased.

Notification

- Plan participants and the Pension Benefit Guaranty Corporation (PBGC) must be notified of the plan adopting this relief.

Some provisions that had been in earlier versions of funding relief bills are not in this new law, including

- a. the solvency test being based on maintaining certain funded ratios;
- b. an extension of up to five years in the funding improvement period or the rehabilitation period; and
- c. an alternate default schedule if collective bargaining agreements covering 75% of the active participants have adopted a schedule.

If you have any questions about the new law's effects on your multiemployer pension plan, please contact your Milliman consultant.

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