Principal Differences between Senate 3/10 Bill and House 5/28 Bill re: Multiemployer Funding

1. **The basic approach and content of the relief is generally the same**. The biggest difference is that the Senate Bill is ambiguous on a number of crucial points, which have been clarified (based on input from the Treasury and PBGC) in the House bill. Without these clarifications, plan sponsors and actuaries would need to wait for Treasury and IRS guidance in order to apply the relief provisions, and whole categories of plans would be excluded from the relief as a practical matter.

The excluded plans include those whose fiscal year begins on July 1 or that were not using the most common actuarial funding methods.

Among the main ambiguities:

- whether various formulas use the market value or actuarial value of assets,
- how to measure the investment losses that can be amortized over the extended period,
- how the relief fits into the funding standard account,
- what standards govern the actuaries' application of the solvency test that is a prerequisite for using the relief, and
- how long benefit improvements are restricted if a plan uses the relief.

2. **A related problem: unlike the House bill, the Senate bill does not contain a transition rule that would enable most of the plans to use the relief before they have to make final decisions for 2010.** For example, without the transition rule in the House bill it would be too late for many plans that operate on a calendar-year basis (around 60% of the total), or on a fiscal year that begins April 1, to take advantage of the relief to avoid going into the red zone.

3. **The House bill also provides additional types of relief**, such as:

Plans in endangered or critical status could take up to 5 extra years to recover, which would enable them to temper the severity of the benefit cuts and contribution increases,

Plans that had gotten individual funding relief from IRS before PPA would be treated as meeting the IRS-imposed requirement that their assets show steady growth over the next 10 to 15 years despite the 2008 investment losses, and

Plans could elect a streamlined recovery process through the use of an optional "alternative default schedule", once a package of Trustee-recommended benefit reductions and contribution increases is approved in bargaining agreements covering 75% of the participants.