

103^D CONGRESS
1ST SESSION

H. R. 2584

To amend the Internal Revenue Code of 1986 to provide equity in medical benefits for retirees in multiemployer plans.

IN THE HOUSE OF REPRESENTATIVES

JULY 1, 1993

Mr. FOGLIETTA (for himself and Mr. BORSKI) introduced the following bill; which was referred jointly to the Committees on Ways and Means and Education and Labor

A BILL

To amend the Internal Revenue Code of 1986 to provide equity in medical benefits for retirees in multiemployer plans.

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 Retirees
5 Medical Equity Benefits Act of 1993”.

6 **SEC. 2. USE OF MULTIEMPLOYER PLAN CONTRIBUTIONS**
7 **AND ASSETS FOR RETIREE HEALTH BENE-**
8 **FITS.**

9 (a) GENERAL RULE.—Section 401 of the Internal
10 Revenue Code of 1986 is amended by redesignating sub-

1 section (o) as subsection (p) and by inserting after sub-
2 section (n) the following new subsection:

3 “(o) USE OF MULTIEMPLOYER PLAN CONTRIBU-
4 TIONS FOR RETIREE HEALTH BENEFITS.—

5 “(1) IN GENERAL.—Amounts contributed to a
6 multiemployer pension plan shall be treated for all
7 purposes of this title as if they had been contributed
8 directly by the contributing employers, pursuant to
9 the designation of such employers, to a related re-
10 tiree medical benefits plan if—

11 “(A) the trustees of the multiemployer
12 pension plan elect to transfer such amounts to
13 such related retiree medical benefit plan;

14 “(B) such transfer is effected within 1
15 year after the close of the transfer year;

16 “(C) the amount transferred does not ex-
17 ceed the permissible amount; and

18 “(D) the amounts transferred in accord-
19 ance with this subsection are used exclusively to
20 provide health benefits for individuals (and
21 their beneficiaries) who have begun receiving
22 benefits under the related pension plan.

23 “(2) DEFINITIONS.—For the purpose of this
24 subsection—

1 “(A) PERMISSIBLE AMOUNT.—The term
2 ‘permissible amount’ means the excess of the
3 amount of contributions made to the pension
4 plan for the transfer year, over the amount of
5 contributions required to avoid a funding defi-
6 ciency for the transfer year under section 412.

7 “(B) RETIREE MEDICAL BENEFIT PLAN.—
8 The term ‘retiree medical benefit plan’ means
9 either—

10 “(i) a trust described in section
11 501(c)(9) at least a portion of the benefits
12 of which are provided with respect to re-
13 tired participants, or

14 “(ii) a section 401(h) account.

15 “(C) RELATED.—A retiree medical benefit
16 plan is related to a pension plan if at least 75
17 percent of those it covers are persons who have
18 begun receiving benefits under the pension plan
19 or are beneficiaries of such persons.

20 “(D) MULTIEMPLOYER PLAN.—The term
21 ‘multiemployer plan’ has the meaning given
22 such term by section 414(f).

23 “(E) TRANSFER YEAR.—The term ‘trans-
24 fer year’ means the plan year for which the

1 transferred contributions were made to the mul-
2 tiemployer pension plan.”

3 (b) MODIFICATIONS TO SECTION 420.—

4 (1) Section 420(a) of such Code is amended to
5 read as follows:

6 “(a) GENERAL RULE.—If there is a qualified trans-
7 fer of any excess pension assets of a defined benefit plan
8 to a health benefits account which is part of such plan—

9 “(1) a trust which is part of such plan shall not
10 be treated as failing to meet the requirements of
11 subsection (a) or (h) of section 401 solely by reason
12 of such transfer or any other action authorized
13 under this section;

14 “(2) no amount shall be includible in the gross
15 income of an employer maintaining the plan solely
16 by reason of such transfer;

17 “(3) such transfer shall not be treated—

18 “(A) as an employer reversion for purposes
19 of section 4980, or

20 “(B) as a prohibited transaction for pur-
21 poses of section 4975 or section 406 of the Em-
22 ployee Retirement Income Security Act, and

23 “(4) the limitations of subsection (d) shall
24 apply to an employer maintaining the plan.”

1 (2) Section 420(b)(3) of such Code is amended
2 to read as follows:

3 “(3) LIMITATION ON AMOUNT TRANSFERRED.—
4 The amount of excess pension assets which may be
5 transferred in a qualified transfer shall not exceed
6 the amount which is reasonably estimated to be re-
7 quired to be paid (whether directly or through reim-
8 bursement) during the taxable year of the transfer
9 for qualified current retiree health liabilities.”

10 (3) Section 420(c)(1)(B)(ii)(II) of such Code is
11 amended to read as follows:

12 “(II) shall be treated as an em-
13 ployer reversion for purposes of sec-
14 tion 4980 (without regard to sub-
15 section (d) thereof) to the extent the
16 original transfer satisfied obligations
17 of an employer to provide retiree
18 health benefits (whether directly or
19 through an employer welfare benefit
20 plan sponsored by the employer).”

21 (4) Section 420(c)(3) of such Code is amended
22 by adding at the end thereof the following new sub-
23 paragraph:

24 “(E) SPECIAL RULE FOR PLANS MAIN-
25 TAINED BY MORE THAN 1 EMPLOYER.—For the

1 purposes of this section, in the case of a plan
2 maintained by more than 1 employer (as de-
3 fined in section 414(b) or (c)), the term ‘em-
4 ployer’ shall include an employee welfare benefit
5 plan providing retiree medical benefits and em-
6 ployers not subject to income tax for purposes
7 of subsections (c)(3) and (e)(1)(A). For pur-
8 poses of subsections (b)(3), (b)(5), (c)(3),
9 (d)(1), and (e)(1), the term ‘taxable year’ shall
10 also include the plan year of an employee wel-
11 fare benefit plan providing medical benefits
12 and, subject to regulations of the Secretary
13 based upon section 413(b), (c), and 404, the
14 taxable year of any employer contribution to
15 such a plan.”

16 (5) Section 420(d)(2) of such Code is amended
17 to read as follows:

18 “(2) NO CONTRIBUTIONS ALLOWED.—An em-
19 ployer may not contribute after December 31, 1991,
20 any amount to a health benefits account with respect
21 to qualified retiree health liabilities for which trans-
22 ferred assets are required to be used under sub-
23 section (c)(1). An employer may not contribute after
24 December 31, 1990, to any welfare benefit plan (as
25 defined in section 419(e)(1)) with respect to quali-

1 fied current retiree health liabilities for which trans-
2 ferred assets are required to be used under sub-
3 section (c)(1). For purposes of this section, a con-
4 tribution to a welfare benefit plan (as defined in sec-
5 tion 419(e)(1) which is not allocated to specific ben-
6 efits shall be allocated to current benefits for em-
7 ployees who have not retired, to reserves to the ex-
8 tent allowed under section 419, and then to qualified
9 retiree health liabilities.”

10 (6) Section 420(e)(1)(A) of such Code is
11 amended to read as follows:

12 “(A) IN GENERAL.—The term ‘qualified
13 current retiree health liabilities’ means, with re-
14 spect to any taxable year, the aggregate
15 amounts (including administrative expenses)
16 which would have been allowable as a deduction
17 to the employer (whether or not subject to in-
18 come tax) for such taxable year with respect to
19 applicable health benefits provided during the
20 taxable year if—

21 “(i) such benefits were provided di-
22 rectly by the employer, and

23 “(ii) the employer used the cash re-
24 ceipts and disbursements method of ac-
25 counting.”

1 (c) AMENDMENT TO ERISA.—Section 403 of the
2 Employee Retirement Income Security Act of 1974 is
3 amended by adding at the end thereof the following new
4 subsection:

5 “(d) USE OF MULTIEMPLOYER PLAN CONTRIBU-
6 TIONS FOR RETIREES HEALTH BENEFITS.—

7 “(1) IN GENERAL.—Amounts contributed to a
8 multiemployer pension plan shall be treated for all
9 purposes as if they had been contributed directly by
10 the contributing employers, pursuant to the designa-
11 tion of such employers, to a related retiree medical
12 benefit plan if—

13 “(A) the trustees of the multiemployer
14 pension plan elect to transfer such amounts to
15 such related retiree medical benefit plan;

16 “(B) such transfer is effected within 1
17 year after the close of the transfer year;

18 “(C) the amount transferred does not ex-
19 ceed the permissible amount; and

20 “(D) amounts transferred in accordance
21 with this section are used exclusively to provide
22 health benefits for individuals (and their bene-
23 ficiaries) who have begun receiving benefits
24 under the related pension plan.

1 “(2) DEFINITIONS.—For the purposes of this
2 subsection—

3 “(A) PERMISSIBLE AMOUNT.—The term
4 ‘permissible amount’ means the excess of the
5 amount of contributions made to the pension
6 plan for the transfer year over the amount of
7 contributions required to avoid a funding defi-
8 ciency for the transfer year under section 412
9 of the Internal Revenue Code of 1986.

10 “(B) RETIREE MEDICAL BENEFIT PLAN.—
11 The term ‘retiree medical benefit plan’ means
12 either—

13 “(i) a trust described in section
14 501(c)(9) of such Code at least a portion
15 of the benefits of which are provided with
16 respect to retired participants, or

17 “(ii) an Internal Revenue Code sec-
18 tion 401(h) account.

19 “(C) RELATED.—A retiree medical benefit
20 plan is related to a pension plan if at least 75
21 percent of those it covers are persons who have
22 begun receiving benefits under the pension plan
23 or are beneficiaries of such persons.

1 “(D) MULTIEMPLOYER.—The term ‘multi-
2 employer plan’ has the meaning given such
3 term by section 3(37).

4 “(E) TRANSFER YEAR.—The term ‘trans-
5 fer year’ means the plan year for which the
6 transferred contributions were made to the mul-
7 tiemployer pension plan.”

8 (d) EFFECTIVE DATE.—The amendments made by
9 this section shall apply to taxable years beginnning after
10 December 31, 1992.

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