To amend the Internal Revenue Code of 1986 to provide for reporting and disclosure by State and local public employee retirement pension plans.

IN THE HOUSE OF REPRESENTATIVES

Mr. NUNES introduced the following bill; which was referred to the Committee

A BILL

To amend the Internal Revenue Code of 1986 to provide for reporting and disclosure by State and local public employee retirement pension plans.

1 Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

3 SECTION 1. SHORT TITLE.

4 This Act may be cited as the “Public Employee Pension Transparency Act”.

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June 12, 2018 (11:01 a.m.)

SEC. 2. REPORTING REQUIREMENT FOR CERTAIN STATE OR LOCAL GOVERNMENT RETIREMENT PLANS AS CONDITION FOR STATE AND LOCAL BONDS TAX EXEMPTION.

(a) IN GENERAL.—Subpart B of part IV of subchapter B of chapter 1 of the Internal Revenue Code of 1986 is amended by adding at the end the following new section:

“SEC. 149A. REPORTING WITH RESPECT TO CERTAIN STATE OR LOCAL GOVERNMENT RETIREMENT PLANS.

“(a) IN GENERAL.—In the case of a failure to satisfy the report requirements of subsection (c) with respect to any plan maintained with respect to an employee of a State, a political subdivision of a State, or any agency or instrumentality of a State or political subdivision of a State, section 103 shall not apply to the interest on any bond issued during the noncompliance period by any such State or political subdivision.

“(b) NONCOMPLIANCE PERIOD.—For purposes of this section, the term ‘noncompliance period’ means, with respect to any State or political subdivision, the period beginning on the date that the Secretary notifies such State or political subdivision of a failure to satisfy the requirements of subsection (c) with respect to a plan and ending
on the date that such failure is corrected (as determined by the Secretary).

“(c) ANNUAL REPORT REQUIREMENTS.—

“(1) IN GENERAL.—The requirements of this subsection shall not be treated as met unless, not later than 210 days after the end of each plan year beginning on or after January 1, 2019, the plan sponsor of a State or local government applicable retirement plan files with the Secretary (in such form and manner as shall be prescribed by the Secretary) a report setting forth the following information with respect to the plan, as determined by the plan sponsor as of the last day of such plan year:

“(A) A statement (determined according to the plan’s funding method) of the plan liability, the value of plan assets, the amount by which (if any) the plan liability exceeds the value of plan assets, and the funding percentage of the plan.

“(B) A schedule of all contributions by the plan sponsor for the plan year that indicates which contributions are taken into account under subparagraph (A).
“(C) Projections for each of the 60 subsequent plan years of the cash flows associated with the plan liability.

“(D) A statement of the actuarial assumptions used for the plan year, including the rate of return on investment of plan assets and assumptions as to such other matters as the Secretary may prescribe by regulation.

“(E) The number of each of the following types of participant:

“(i) Separated from service and receiving benefits.

“(ii) Not described in clause (i), separated from service, and entitled to future benefits.

“(iii) Accruing and receiving benefits.

“(iv) Not described in clause (iii) and accruing benefits.

“(F) A statement of the plan’s investment returns (including the rate of return) for the plan year and the 5 preceding plan years.

“(G) Pursuant to such regulations as the Secretary shall prescribe, an explanation of the plan’s funding policy, and a statement of the degree to which, and manner in which, the plan
sponsor expects to eliminate any unfunded plan liability for the plan year and the extent to which the plan sponsor has followed the plan’s funding policy for each of the preceding 5 plan years.

“(H) A statement of the amount of any pension obligation bonds outstanding.

“(I) A statement of the current cost of the plan for the plan year determined according to the plan’s funding method.

“(J) A statement of the plan’s administrative and investment expenses.

“(2) SUPPLEMENT TO REPORT WITH PRESCRIBED VALUATION AND INTEREST RATES.—

“(A) IN GENERAL.—In the case of an annual report under which—

“(i) plan assets are not valued at fair market value,

“(ii) any interest rate used to determine the value of plan liabilities under sub-paragraph (A) or (I) of paragraph (1) is not an interest rate described in sub-paragraph (B), or
“(iii) the present value of an accrued benefit is not determined as described in subparagraph (C),

the requirements of this subsection shall not be treated as met unless the plan sponsor also includes in such annual report the information described in subparagraphs (A) and (I) of paragraph (1), determined as of the last day of such plan year by valuing plan assets at fair market value, by using the interest rates described in subparagraph (B) to value liabilities, and by determining the present value of accrued benefits as described in subparagraph (C).

“(B) Interest rates based on Treasury spot rate yield curve.—

“(i) In general.—The interest rates described in this subparagraph are, with respect to any day, the rates of interest which shall be determined by the Secretary for such day on the basis of the Treasury spot rate yield curve for such day.

“(ii) Treasury spot rate yield curve.—For purposes of this subparagraph, the term ‘Treasury spot rate yield curve’ means, with respect to any day, the
spot rate for such day on interest-bearing obligations of the United States.

“(C) Determining present value of accrued benefits.—The present value of an accrued benefit is determined as described in this subparagraph if—

“(i) it is determined by discounting its future cash flows in accordance with subparagraph (B), and

“(ii) the present value of all benefits accrued for each participant is calculated as of the last day of such plan year using the unit credit funding method.

“(d) Definitions and special rules.—For purposes of this section—

“(1) State or local government applicable retirement plan.—The term ‘State or local government applicable retirement plan’ means any plan described in clause (i), (ii), (iii), or (iv) of section 219(g)(5)(A) (other than a defined contribution plan (within the meaning of section 414(i))), which is maintained by a State, a political subdivision of a State, or any agency or instrumentality of a State or political subdivision of a State.
“(2) **FUNDING PERCENTAGE.**—The term ‘funding percentage’ for a plan year means the ratio (expressed as a percentage) which—

“(A) the value of plan assets as of the end of the plan year, bears to

“(B) the plan liability of the plan for the plan year.

“(3) **PLAN LIABILITY.**—The term ‘plan liability’ of a plan for a plan year means the present value of all benefits accrued or earned under the plan as of the last day of the plan year.

“(4) **CURRENT COST.**—The term ‘current cost’ of a plan for a plan year means the present value as of the end of the plan year of all benefits accrued or earned under the plan during the plan year.

“(5) **PLAN SPONSOR.**—The term ‘plan sponsor’ means, in connection with a State or local government applicable retirement plan, the State, political subdivision of a State, or agency or instrumentality of a State or a political subdivision of a State which establishes or maintains the plan. For purposes of report filing requirements under this section, such term shall include the administrator of the plan on behalf of the plan sponsor in the case of a plan which is not administered by the plan sponsor.
“(6) PARTICIPANT.—

“(A) IN GENERAL.—The term ‘participant’ means, in connection with a State or local government applicable retirement plan, an individual—

“(i) who is an employee or former employee of a State, political subdivision of a State, or agency or instrumentality of a State or a political subdivision of a State which is the plan sponsor of such plan, and

“(ii) who is or may become eligible to receive a benefit of any type from such plan or whose beneficiaries may be eligible to receive any such benefit.

“(B) BENEFICIARY.—The term ‘beneficiary’ means a person designated by a participant, or by the terms of the plan, who is or may become entitled to a benefit thereunder.

“(7) PLAN YEAR.—The term ‘plan year’ means, in connection with a plan, the calendar or fiscal year on which the records of the plan are kept.

“(8) STATE.—The term ‘State’ includes any State of the United States, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, American Samoa, Guam, and
the Commonwealth of the Northern Mariana Islands.

“(9) FAIR MARKET VALUE.—The term ‘fair market value’ has the meaning of such term under section 430(g)(3)(A) (without regard to section 430(g)(3)(B)).

“(e) MODEL REPORTING STATEMENT.—The Secretary shall develop model reporting that plan sponsors of State or local government employee pension plans may elect to use for purposes of complying with requirements of such subsections (c).

“(f) TRANSPARENCY OF INFORMATION FILED.—Reports filed under this section shall be public records open to the inspection of the public, and the Secretary shall create and maintain a searchable public website on which the Secretary shall post such reports not later than 60 days after receipt.”.

(b) CLERICAL AMENDMENT.—The table of sections for subpart B of part IV of subchapter B of chapter 1 of such Code is amended by adding at the end the following new item:

“Sec. 149A. Reporting with respect to State or local government applicable retirement plans.”.
SEC. 3. GENERAL PROVISIONS AND RULES OF CONSTRUCTION.

(a) LIMITATIONS ON FEDERAL RESPONSIBILITIES RELATING TO PLAN OBLIGATIONS AND LIABILITIES.— The United States shall not be liable for any obligation related to any current or future shortfall in any State or local government applicable retirement plan. Nothing in this Act (or any amendment made by this Act) or any other provision of law shall be construed to provide Federal Government funds to diminish or meet any current or future shortfall in, or obligation of, any State or local government applicable retirement plan. The preceding sentence shall also apply to the Federal Reserve.

(b) NO FEDERAL FUNDING STANDARDS.—Nothing in this Act (or any amendment made by this Act) shall be construed to alter existing funding standards for State or local government applicable retirement plans or to require Federal funding standards for such plans.

(c) DEFINITIONS.—Terms used in this section which are also used in section 149A of the Internal Revenue Code of 1986 shall have the same meaning as when used in such section.