Pension Benefit Guaranty Corporation

82-34

November 10, 1982

REFERENCE:
[*1] 4211 Withdrawal Liability
4211(b)(1) Withdrawal Liability - Computation

OPINION:

This responds to your inquiry on the operation of the presumptive method of allocation under § 4211 of the Multiemployer Pension Plan Amendments Act of 1980. Section 4211(b)(1) provides that the amount of unfunded vested benefits allocable to an employer that withdraws from a multiemployer pension plan is the sum of three items:

(1) the employer's proportional share of the unamortized amount of the change in the plan's unfunded vested benefits for each plan year ending after April 28, 1980;

(2) the employer's proportional shares of the unamortized amount of the plan's unfunded vested benefits as of the end of the plan year ending before April 29, 1980; and

(3) the employer's proportional shares of the unamortized amounts of any reallocated unfunded vested benefits.

Where a plan has always had assets in excess of liabilities, the amounts under items (2) and (3) would be zero. It the relationship between plan assets and liabilities had fluctuated, however, while always remaining in excess of liabilities, an argument could be mand that the amount calculated under item (1) would be greater than zero. We think [*2] this argument is without merit. It would treat annual changes in the plan's "fundedness" regardless of whether the plan was fully funded for vested benefits, as equivalent to changes in unfunded vested benefits and would give no meaning in this context, to the term "unfunded." In addition, fluctuations in assets, albeit always in excess of liabilities, would alone account for withdrawal liability in situations where the plan had always been, and continued to be fully funded. We see no reason in either the policies underlying the act, or the statutory language, for such an anomalous result:

In our view, it is far more consistent with the statutory language and purposes to construe annual changes where the value of plan assets never falls below liabilities as zero. So, for example, a plan which has always been fully funded which goes from $1 million overfunded to $1/2 million overfunded, would record a zero change in the value of unfunded vested benefits for that year.

We hope this information has been helpful to you.

Henry Rose
General Counsel