

**The Puerto Rico Assistance Act of 2015  
Provisions Related to Pension Systems  
Pension Review Board  
February 2016**

On December 9, 2015, S.2381, the Puerto Rico Assistance Act of 2015, was introduced to the 114<sup>th</sup> Congress by Senator Orrin Hatch (UT) and has been referred to the Senate Committee on Finance.<sup>1</sup>

Although the primary purpose of the legislation is to address the current financial situation in Puerto Rico, it contains provisions that would be applicable to all state and local government pension systems in the U.S. These provisions are similar to those included in the 2013 Public Employee Pension Transparency Act (PEPTA), which died in committee.

The sections of S.2381 applicable to state and local government pension plans would amend the Internal Revenue Code to create a federal reporting structure and annuity accumulation retirement plans. The legislation would require pension systems to submit an annual report to the U.S. Treasury Secretary for plan years beginning on or after January 1, 2017. This report must contain specific information, including:

- **Funding Status** – Schedule of funding status, including the plan’s current liability, amount of plan assets, net unfunded liability, and funding percentage.
- **Contributions** – Schedule of contributions by the plan sponsor and each contributing employer.
- **Alternative Projections** – Alternative projections related to the annual contributions, fair market value of assets, current liability, and funding percentage for each of the next 20 plan years. This would also include a statement of the assumptions and methods used in connection with such projections. The Secretary would specify the assumptions and methods to be used in order to achieve comparability across plans.
- **Actuarial Assumptions** – Statement of actuarial assumptions including the rate of return on investment of assets.
- **Participants** – Statement of number of members who are:
  - Retired or separated from service and receiving benefits
  - Retired or separated from service and entitled to future benefits
  - Active under the plan
- **Investment Returns** – Statement of the plan’s investment returns, including the actual rate of return for the plan year and the five preceding plan years.
- **Unfunded Liabilities** – Statement of the degree to which, and manner in which, the sponsor expects to eliminate any unfunded current 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 years.
- **Pension Obligation Bonds** – Statement of pension obligation bonds outstanding.

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<sup>1</sup> For information on the status of the bill please visit: <https://www.govtrack.us/congress/bills/114/s2381>

The legislation also requires supplementary reports if the annual report does not measure assets at fair market value, or if liabilities are not discounted using U.S. Treasury bond yields. The supplementary reports would re-measure statements from the annual report using the "U.S. Treasury Obligation Yield Curve Rate." The rate would be determined by the Secretary and would consist of three rates, based on U.S. Treasury bond yields of different maturities: (1) over the next 5 years; (2) between 6-20 years; and (3) over 20 years.

The rates would be determined on a monthly basis and reflect average monthly yields over the preceding 24 month period.

Additionally, the bill directs the Secretary to develop model reporting statements and to create and maintain a public website, with searchable capabilities, for purposes of posting plan information required by the bill.