PENSION BENEFIT GUARANTY CORPORATION

Pendency of Request for Exemption From the Bond/Escrow Requirement Relating to the Sale of Assets by an Employer Who Contributes to a Multiemployer Plan; Marlins Holdings LLC

AGENCY: Pension Benefit Guaranty Corporation.

ACTION: Notice of pendency of request.

SUMMARY: This notice advises interested persons that the Pension Benefit Guaranty Corporation has received a request from Marlins Holdings LLC for an exemption from the bond or escrow requirement and contract requirements under the Employee Retirement Income Security Act of 1974, as amended, with respect to the Major League Baseball Players Benefit Plan. A sale of assets by an employer that contributes to a multiemployer pension plan will not constitute a complete or partial withdrawal from the plan if the transaction meets certain conditions. One of these conditions is that the purchaser post a bond or deposit money in escrow for the five-plan-year period beginning after the sale. The PBGC is authorized to grant individual and class exemptions from this requirement. Before granting an exemption, the PBGC must determine that approval of the request is consistent with the purposes and principles of Title IV of ERISA and not constitute a finding by the PBGC that a particular transaction satisfies the other requirements of section 4204(a)(1).

DATES: Comments must be submitted on or before July 23, 2018.

ADDRESSES: Comments may be submitted by any of the following methods:

- Email: reg.comments@pbgc.gov. Refer to the Marlins Holdings LLC in the subject line.
- Mail or Hand Delivery: Regulatory Affairs Division, Office of the General Counsel, Pension Benefit Guaranty Corporation, 1200 K Street NW, Washington, DC 20005–4026. All submissions received must include the agency’s name (Pension Benefit Guaranty Corporation, or PBGC) and refer to Marlins Holdings LLC. All comments received will be posted without change to PBGC’s website, http://www.pbgc.gov, including any personal information provided. Copies of comments may also be obtained by writing to Disclosure Division, Office of the General Counsel, Pension Benefit Guaranty Corporation, 1200 K Street NW, Washington, DC 20005–4026 or calling 202–326–4040 during normal business hours. (TTY users may call the Federal relay service toll-free at 1–800–877–8339 and ask to be connected to 202–326–4040.)

FOR FURTHER INFORMATION CONTACT: Bruce Perlin, Assistant General Counsel (Perlin.Bruce@pbgc.gov), 202–326–4020, ext. 6818, Jon Chatalian, Acting Assistant General Counsel (Chatalian.Jon@PBGC.gov), ext. 6757, or Mary A. Petrovic, Attorney (Petrovic.Mary@PBGC.gov), ext. 4638, Office of the General Counsel, Suite 340, 1200 K Street NW, Washington, DC 20005–4026; (TTY/TDD users may call the Federal relay service toll-free at 1–800–877–8339 and ask to be connected to 202–326–4020.)

SUPPLEMENTARY INFORMATION:

Background

Section 4204 of the Employee Retirement Income Security Act of 1974, as amended by the Multiemployer Pension Plan Amendments Act of 1980 (ERISA), provides that a bona fide arm’s-length sale of assets of a contributing employer to an unrelated party will not be considered a withdrawal if three conditions are met. These conditions, enumerated in section 4204(a)(1)(A)–(C), are that—

(A) the purchaser has an obligation to contribute to the plan with respect to covered operations for substantially the same number of contribution base units for which the seller was obligated to contribute;

(B) the purchaser obtains a bond or places an amount in escrow, for a period of five plan years following the sale to ensure that the seller is secondarily liable for the difference between the greater of the seller’s average required annual contribution to the plan for the three plan years preceding the year in which the sale occurred or the seller’s required annual contribution for the plan year preceding the year in which the sale occurred and the greater of the seller’s contribution to the plan and the amount of the escrow for the three plan years preceding the year in which the sale occurred; and

(C) the contract of sale provides that if the purchaser withdraws from the plan within the five-plan-year period beginning after the sale and fails to pay any of its liability to the plan, the seller shall be secondarily liable for the liability it (the seller) would have had but for section 4204.

The bond or escrow described above would be paid to the plan if the purchaser withdraws from the plan or fails to make any required contributions to the plan within the first five plan years following the sale. Additionally, section 4204(b)(1) of ERISA provides that if a sale of assets is covered by section 4204, the purchaser assumes by operation of law the contribution record of the seller for the plan year in which the sale occurred and the preceding four plan years.

Section 4204(c) of ERISA authorizes the Pension Benefit Guaranty Corporation (“PBGC”) to grant individual or class variances or exceptions from the purchaser’s bond/escrow requirement under any of the tests established in the regulation (29 CFR parts 4204.12 & 4204.13) to be made to the plan in question. The PBGC will consider a variance or exemption request only when the request is not based on satisfaction of one of the four regulatory tests under regulation sections 4204.12 and 4204.13 or when the parties assert that the financial information necessary to show satisfaction of one of the regulatory tests is privileged or confidential financial information within the meaning of 5 U.S.C. 552(b)(4) (Freedom of Information Act).

Under section 4204.22 of the regulation, the PBGC shall approve a request for a variance or exemption if it determines that approval of the request is warranted, in that it—

(1) would more effectively or equitably carry out the purposes of Title IV of the Act; and

(2) would not significantly increase the risk of financial loss to the plan.

Section 4204(c) of ERISA and section 4204.22(b) of the regulation require the PBGC to publish a notice of the pendency of a request for a variance or exemption in the Federal Register, and to provide interested parties with an opportunity to comment on the proposed variance or exemption.
The Request
The PBGC has received a request from Marlins Holdings LLC (the “Purchaser”) for an exemption from the bond or escrow requirement and contract requirements of section 4204(a)(1)(B) and (C) with respect to its purchase of the Miami Marlins Major League Baseball franchise from Miami Marlins, L.P. (the “Seller”) on February 21, 2018. In the request, the Purchaser represents among other things that:
1. The Seller was obligated to contribute to the Major League Baseball Players Benefit Plan (the “Plan”) for certain employees of the sold operations.
2. The Purchaser has agreed to assume the obligation to contribute to the Plan for substantially the same number of contribution base units as the Seller.
3. The Seller has agreed to be secondarily liable for any withdrawal liability it would have had with respect to the sold operations (if not for section 4204) should the Purchaser withdraw from the Plan and fail to pay its withdrawal liability.
4. The estimated amount of the withdrawal liability of the Seller with respect to the operations subject to the sale is $19,169,342.
5. The amount of the bond/escrow established under section 4204(a)(1)(B) is $4,781,000.
6. Major League Baseball has a unique structure in which the Plan is funded from the Major League Central Fund (the “Central Fund”), maintained and administered by the Commissioner of Baseball. Under this structure, contributions to the Plan for all participating employers are paid by the Office of the Commissioner of Baseball from the Central Fund on behalf of each participating employer in satisfaction of the employer’s pension liability under the Plan’s funding agreement. The monies in the Central Fund are derived directly from common revenues related to the All-Star Game, post-season games, certain media rights and other common revenues (collectively, the “Revenues”).
7. In support of the exemption request, the requester asserts that, “the Plan is funded from the Central Fund that is maintained and administered by the Commissioner of Baseball.” Major League Baseball pays contributions directly to the Plan from the Central Fund. Further, the requester asserts that, “the Plan enjoys a substantial degree of security with respect to contributions on behalf of the Clubs. A change in ownership of a Club does not affect the obligation of the Central Fund to fund the Plan. As such, approval of this exemption request would not increase the risk of financial loss to the Plan.”

8. A complete copy of the request was sent to the Plan and to the Major League Baseball Players Association by certified mail, return receipt requested.

Comments
All interested persons are invited to submit written comments on the pending exemption request to the above address. All comments will be made a part of the record. The PBGC will make the comments received available on its website, www.pbgc.gov. Copies of the comments and the non-confidential portions of the request may be obtained by writing or visiting the PBGC’s Communications Outreach and Legislative Affairs Department (COLA) at the above address or by visiting that office or calling 202–326–4343 during normal business hours.

Issued in Washington, DC.
William Reeder,
Director, Pension Benefit Guaranty Corporation.

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