

## Part III - Administrative, Procedural and Miscellaneous

### **Further Extension of Effective Date of Normal Retirement Age Regulations for Governmental Plans**

#### **Notice 2009-86**

##### **I. Purpose**

The Service and Treasury intend to extend the time by which a governmental plan must comply with final regulations on distributions from a pension plan upon attainment of normal retirement age (“the NRA regulations”) beyond the date previously announced in Notice 2008-98, 2008-2 C.B. 1080. These regulations were published in the Federal Register as T.D. 9325 (72 FR 28604) on May 22, 2007. Taking into account this extension, the NRA regulations will be effective for a governmental plan (as defined in § 414(d) of the Internal Revenue Code) for plan years beginning on or after January 1, 2013. This notice does not change the effective date of the NRA regulations for a plan that is not a governmental plan or modify the relief previously provided in Notice 2007-69, 2007- 2 C.B. 468.

##### **II. Background**

Section 411(a)(8) provides that the term “normal retirement age” means the earlier of (A) the time a plan participant attains normal retirement age under the plan or (B) the later of age 65 or the fifth anniversary of the time a plan participant commenced participation in the plan. A plan’s normal retirement age is relevant for a number of purposes, including for purposes of determining the date at which a participant is eligible to receive his or her normal retirement benefit and calculating the amount of the benefit received.

Section 1.401(a)-1(b)(1)(i) of the Income Tax Regulations requires a pension plan to be maintained primarily to provide systematically for the payment of definitely determinable benefits after retirement. The NRA regulations amended § 1.401(a)-1(b)(1)(i) to provide an exception to the rule that pension benefits be paid only after retirement by permitting a pension plan to commence payment of retirement benefits to a participant after the participant has attained normal retirement age even if the participant has not yet had a severance from employment with the employer maintaining the plan.

The NRA regulations require a pension plan’s normal retirement age to be an age that is not earlier than the earliest age that is reasonably representative of the typical retirement age for the industry in which the covered workforce is employed. The NRA regulations provide that a normal retirement age of 62 or later (or age 50 or later, in the case of a plan in which substantially all of the participants are qualified public safety employees (within the meaning of § 72(t)(10)(B))) is deemed to satisfy this requirement, and a normal retirement age lower than 55 is presumed not to satisfy the requirement unless the Commissioner determines otherwise on the basis of facts and circumstances. Whether a normal retirement age that is at least 55 but below 62 satisfies the requirement is based on facts and circumstances.

The NRA regulations were generally effective May 22, 2007, with a later effective date for governmental plans and certain collectively bargained plans. For governmental plans, the NRA regulations were originally effective for plan years beginning on or after January 1, 2009.

Notice 2007-69 provided temporary relief for certain plans that may have had to change their definition of normal retirement age to satisfy the NRA regulations. The relief was available to certain plans that might otherwise have been required to be amended to raise the plan's normal retirement age effective before the first day of the first plan year beginning after June 30, 2008. Because the NRA regulations were not originally effective for governmental plans until 2009, the relief in Notice 2007-69 did not apply to governmental plans.

Notice 2007-69 pointed out that the NRA regulations do not contain a safe harbor or other guidance with respect to a normal retirement age conditioned on the completion of a stated number of years of service, stating that a plan under which a participant's normal retirement age changes to an earlier date upon completion of a stated number of years of service typically will not satisfy the vesting or accrual rules of § 411. The notice asked for comments from sponsors of plans that are not subject to the requirements of § 411, such as governmental plans, on whether such a plan may define normal retirement age based on years of service. Specifically, comments were requested on whether and how a pension plan with a normal retirement age conditioned on the completion of a stated number of years of service satisfies the requirement in § 1.401(a)-1(b)(1)(i) that a pension plan be maintained primarily to provide for the payment of definitely determinable benefits after retirement or attainment of normal retirement age and how such a plan satisfies the pre-ERISA vesting rules. A number of comments were received in response to Notice 2007-69, including comments relating to the effect of the NRA regulations on governmental plans.

In Notice 2008-98, the Service and Treasury announced their intention to amend the NRA regulations to change the effective date for governmental plans to plan years beginning on or after January 1, 2011.

### **III. Further Extension of Effective Date of NRA Regulations for Governmental Plans**

The Service and Treasury intend to amend the NRA regulations to change the effective date for governmental plans to plan years beginning on or after January 1, 2013. Governmental plan sponsors may rely on this notice with respect to the extension until such time as the NRA regulations are so amended. This extension will provide additional time for the Service and Treasury to consider comments received with respect to the effect of the NRA regulations on governmental plans.

## **DRAFTING INFORMATION**

The principal author of this notice is James P. Flannery of the Employee Plans, Tax Exempt and Government Entities Division. For further information regarding this notice, please contact Mr. Flannery via e-mail at [retirementplanquestions@irs.gov](mailto:retirementplanquestions@irs.gov).