



News Release

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IRS To Begin Processing Suspended Cash Balance Plan Conversion Applications

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WASHINGTON — The Internal Revenue Service today announced it is lifting a moratorium on determination letter applications for conversions from traditional defined benefit pension plans to so-called cash balance plans.

In Notice 2007-6, the IRS also provides interim guidance on provisions of the Pension Protection Act of 2006 involving cash balance plans, and the agency is requesting public comments on several issues addressed in the notice. The notice will appear in Internal Revenue Bulletin 2007-3, dated Jan. 16, 2007.

In 1999, the IRS announced a suspension of the processing of determination letter applications by employers seeking to convert their existing defined benefit plans to cash balance plans. The IRS said it was doing so, pending study on issues raised in such conversions, including the impact on older employees. With the passage of the Pension Protection Act and today's notice, the IRS can now resume processing the backlog of approximately 1,200 cases subject to the moratorium. The IRS hopes to resolve a significant majority of these cases by the end of 2007.

The IRS is seeking public comment on a number of rules which were included in the Pension Protection Act of 2006 for the first time. Many of these involve safe harbor provisions for all cash balance plans. But the notice says the IRS will not review any of the pending cases for age discrimination issues. The IRS said this is consistent with its past practice and with the Pension Protection Act, which did not address the issue of age discrimination on pre-June 30, 2005, conversions.