

Announcement 2016-16

Withdrawal of Proposed Nondiscrimination Rules Applicable to Certain Qualified Retirement Plan Benefit Formulas

The Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) announce that they will withdraw certain provisions of proposed regulations published on January 29, 2016 (81 FR 4976) (“Proposed Regulations”) relating to nondiscrimination requirements applicable to qualified retirement plans under § 401(a)(4). The provisions of the Proposed Regulations that will be withdrawn are the provisions that would modify §§ 1.401(a)(4)-2(c) and 1.401(a)(4)-3(c).

The provisions of the Proposed Regulations that would modify §§ 1.401(a)(4)-2(c) and 1.401(a)(4)-3(c) were intended to address certain qualified retirement plan designs that take advantage of flexibility in the existing nondiscrimination rules to provide a special benefit formula for selected employees without extending that formula to a classification of employees that is reasonable and established under objective business criteria. See Part IV of the preamble to the Proposed Regulations for a discussion of these provisions.

Following publication of the Proposed Regulations, the Treasury Department and the IRS have given additional consideration to the potential effects of the provisions that would modify §§ 1.401(a)(4)-2(c) and 1.401(a)(4)-3(c) on the adoption and continued maintenance of qualified retirement plans with a variety of designs and have concluded that further consideration will be needed with respect to issues relating to those provisions. Accordingly, the Treasury Department and the IRS will withdraw the provisions of the Proposed Regulations that would modify §§ 1.401(a)(4)-2(c) and 1.401(a)(4)-3(c).

The Proposed Regulations also include provisions, in addition to those that would modify §§ 1.401(a)(4)-2(c) and 1.401(a)(4)-3(c), that would provide relief from the nondiscrimination requirements for certain qualified retirement plans that provide additional benefits to a grandfathered group of employees following certain changes in the coverage of a defined benefit plan or a defined benefit plan formula and would make other changes to the nondiscrimination rules. These provisions of the Proposed Regulations are not affected by this announcement.

For further information regarding this announcement, contact Linda S. F. Marshall or Kelly C. Scanlon at 202-317-6700 (not a toll free number).