

## Employee Plans News

Issue 2014-23, December 16, 2014

[Certain funding elections](#) for Cooperative and Small Employer Charity Act and eligible charity plans due December 31

[2014 informational Forms 5500 and 5500-SF, and final Form M-1](#) – DOL news release explains some changes to these forms

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### Certain Funding Elections for CSEC and Eligible Charity Plans Due December 31

The Cooperative and Small Employer Charity Act (CSEC Act) offers special funding rules for certain plans - plans maintained by groups of cooperatives and related organizations or by groups of charities.

The Pension Protection Act of 2006 (PPA '06) fundamentally changed the minimum funding rules and instituted funding-based benefit restrictions for single-employer defined benefit plans, effective for most plans in 2008. However, PPA '06 (as amended by the Pension Relief Act of 2010) delayed the effective date of these changes to 2017 for certain plans, including “eligible charity plans” maintained by groups of charities.

#### New funding rules for CSEC plans

The CSEC Act defined a new category of plans, CSEC plans. Many of these plans fit within the definition of an eligible charity plan. The Act also created an entirely new section in the Internal Revenue Code (Section 433), setting out funding rules that apply to CSEC plans. These rules are generally effective for plan years beginning after Dec. 31, 2013. In many ways, these rules are similar to the pre-PPA '06 funding rules.

#### Year-end elections for CSEC and eligible charity plans

Several elections are available to plans affected by the CSEC Act. Two of these elections may require plan sponsors to take action by Dec. 31, 2014:

- **Elect not to treat a plan as a CSEC plan beginning with the 2014 plan year**
  - This election is due by the last day of the plan year beginning in 2014 (Dec. 31, 2014, for calendar-year plans).
  - Making this election means that the plan will be subject to the funding rules that applied before the CSEC Act. Therefore, if the plan had a delayed PPA '06 effective date, the PPA '06 funding rules will generally not apply for plan years beginning before Jan. 1, 2017, unless the plan also fits the definition of an eligible charity plan and the plan sponsor elects not to treat it as one (see below).

- The plan sponsor shouldn't send the election to the IRS, but should provide it in writing to the plan administrator and enrolled actuary by the deadline.
  - The election should identify the plan and the plan sponsor, and state that the sponsor elects not to treat the plan as a CSEC plan beginning with the 2014 plan year.
- **Elect not to treat a plan as an eligible charity plan retroactive to the plan year beginning in 2008**
    - This election must be sent to the IRS by Dec. 31, 2014, regardless of the plan year.
    - Making this election means that the plan is subject to the PPA '06 funding and benefit restriction rules retroactively to the plan year beginning in 2008.
    - If a plan sponsor wishes to make this election but has not sent it yet – or if the sponsor sent an election but has not received acknowledgement from the IRS – the sponsor should send a signed election to the following address by Dec. 31, 2014:
      - Internal Revenue Service
      - Commissioner, Tax Exempt and Government Entities Division
      - Attention: SE:T:EP:RA:T
      - 2008 Election out of Eligible Charity Plan Status
      - P.O. Box 27063
      - McPherson Station
      - Washington, DC 20038
    - The election should identify the plan and the plan sponsor, and indicate that the sponsor elects not to treat the plan as an eligible charity plan for all plan years beginning after Dec. 31, 2007.

The CSEC Act gives plan sponsors other options, including an election not to treat the plan as an eligible charity plan effective with the 2014 plan year (instead of the 2008 plan year). The IRS plans to publish guidance on the CSEC Act in the near future.