

## Pension Equity Plan Determinations Worksheet

EIN \_\_\_\_\_ Plan No. \_\_\_\_\_ EDS No. \_\_\_\_\_

Specialist \_\_\_\_\_ Reviewer \_\_\_\_\_

Instructions: A "yes" answer generally indicates a favorable conclusion is warranted. A "no" answer may indicate a problem exists. Use the space on the worksheet to explain any "no" answer". Refer to the explanation page for guidance in completing this worksheet.

The technical principles in this worksheet may be changed by future regulations

Name of Plan \_\_\_\_\_

I.	Plans with Explicit Interest	Plan Reference	Yes	No	N/A
la	Accrued Benefit Definition. If the plan provides that interest is credited to the accumulated benefit after benefit accruals cease (such as upon termination of employment), does the plan define an accrued benefit equal to an annuity payable at normal retirement age determined by projecting interest on the accumulated benefit to NRA as if the participant had terminated employment in the current year and then dividing by an <u>immediate</u> annuity factor at normal retirement age? <b>If the plan does not credit interest, skip to section II.</b>				
lb	Accrual rule demo--general. Did the plan representative provide an explanation or demonstration showing how it satisfies <u>either</u> the 133 1/3 percent rule or the fractional rule?				
lc	Accrual rule demo—133 1/3 percent rule. If the plan purports to satisfy the 133 1/3 percent rule, does the demonstration take into account the trade-off between PEP credits and the interest that would otherwise be credited if accruals had ceased? (Note: because of the interest trade-off, it is more common for a plan with increasing PEP credits to satisfy the fractional rule rather than the 133 1/3 percent rule.) <b>If yes, skip to line f.</b>				
ld	Accrual rule explanation—fractional rule. If the plan purports to satisfy the fractional rule using fail-safe language, does the plan provide for a minimum fractional rule benefit; i.e., does it provide that the accrued benefit is no less than the accumulated benefit projected with PEP credits to NRA, converted to an annuity at NRA and multiplied by a fraction, the numerator of which is the current number of a				

## Pension Equity Plan Determinations Worksheet

	participant's years of service and the denominator of which is the number of years of service the participant will have earned upon attainment of NRA? <b>If yes, skip to line g.</b>				
le	Accrual rule demonstration—fractional rule. If the plan is not using fail-safe language to satisfy the fractional rule, has the plan provided a valid fractional rule demo that takes into account the interest rate trade-off between the PEP credits and the interest that would otherwise be credited if accruals ceased?				
lf	Accrual rule—minimum or maximum interest rate. If the PEP credit formula is a graded formula that requires a minimum (or maximum) interest crediting rate to satisfy one of the accrual rules, does the plan specifically provide that the interest rate cannot be below such minimum interest rate (or above such maximum interest rate)? (Note: If the plan does not already provide for a maximum interest rate, adding a restriction on the interest rate will violate IRC § 411(d)(6).)				
lg	Interest rate restriction. For plans in existence on June 29, 2005, for plan years starting on or after January 1, 2008, is the plan's interest crediting rate (including any minimum interest rate) no greater than a market rate of return as defined in IRC § 411(b)(5)(B)(i)(III) of the Code? For plans that were not in existence as a hybrid plan on June 29, 2005, this rule applies on and after the later of June 29, 2005 and the date the plan becomes a statutory hybrid plan.				
lh	411(b)(1)(G) compliance. Does the plan provide that it complies with IRC § 411(b)(1)(G) using a reasonable interpretation? Until guidance is issued, the examples in lines lh(1) – (5) show language that a plan can use to comply with this rule. Use line lh(6) if the plan uses another approach to comply with this rule.				
lh(1)	Notwithstanding any other provision in the plan, a participant's accrued benefit as of any determination date will never be less than the benefit required to comply with IRC § 411(b)(1)(G).				
lh(2)	Notwithstanding any other provision in the plan, a participant's accrued benefit may not be reduced on account of an increase in a participant's age or service.				

## Pension Equity Plan Determinations Worksheet

lh(3)	A participant's accrued benefit as of any determination date shall not be less than the accrued benefit to which the participant would have been entitled if he had ceased accruals at the end of any prior plan year.				
lh(4)	A participant's accrued benefit shall be the lesser of the annuity benefit that the participant has accumulated to date (including projected interest to NRA) and the annuity benefit the participant would accumulate if he worked to NRA. (Note: if the plan does not already contain this provision, adding the provision will potentially violate IRC § 411(d)(6).)				
lh(5)	The accumulated benefit determined under the PEP formula as of any determination date cannot be less than the accumulated benefit as of the end of any prior year with interest credited to the determination date, determined as if the participant had ceased accruals as of the end of that prior plan year.				
lh(6)	Other (describe).				
	Skip to section IV.				
II.	Plans with Implicit Interest				
IIa	Accrued Benefit Definition. If the plan does not provide that interest is credited to the accumulated benefit after benefit accruals cease, does the plan define an accrued benefit equal to an annuity payable at normal retirement age determined by dividing the accumulated benefit by a <u>deferred to NRA</u> annuity factor? <b>If the plan does not use a deferred annuity, skip to section III.</b>				
IIb	Accrual rule demo--general. Did the plan representative provide a demonstration or explanation showing how it satisfies either the 133 1/3 percent rule or the fractional rule?				
IIc	Accrual rule demo—133 1/3 percent rule. If the plan purports to satisfy the 133 1/3 percent rule, does the demonstration take into account the trade-off between PEP credits and the increase in the deferred annuity factor from year to year? (Note: because of this trade-off, it is more common for a plan with increasing PEP credits to satisfy the fractional rule rather than the 133 1/3 percent rule.) <b>If yes, skip to line f.</b>				
IIId	Accrual rule--fractional rule. If the plan purports to satisfy the fractional rule using fail-safe language, does the plan provide for a minimum fractional rule benefit; i.e., does it provide that the accrued benefit is no less				

## Pension Equity Plan Determinations Worksheet

	than the accumulated benefit projected with PEP credits to NRA, converted to an annuity at NRA and multiplied by a fraction, the numerator of which is the current number of a participant's years of service and the denominator of which is the number of years of service the participant will have earned upon attainment of NRA? <b>If yes, skip to question g.</b>				
IIe	Accrual rule demonstration—fractional rule. If the plan is not using fail-safe language to satisfy the fractional rule, has the plan provided a valid fractional rule demo that takes into account the interest rate trade-off between the PEP credits and the change in the value of the deferred annuity factor during each year?				
IIf	Accrual rule—minimum (or maximum) interest rate. If the PEP credit formula is a graded formula that requires a minimum (or maximum) interest crediting rate to satisfy one of the accrual rules, does the plan specifically provide that the interest rate used to determine the deferred annuity factor cannot be below such minimum interest rate (or above such maximum rate)? (Note: If the plan does not already provide for a maximum interest rate, adding a restriction on the interest rate will violate section 411(d)(6).)				
IIg	If a participant ceases to earn accruals before the annuity starting date, does the plan provide that the deferred annuity factor is based on the participant's age at the date accruals cease?				
IIh	411(b)(1)(G) compliance. Does the plan provide that it complies with IRC § 411(b)(1)(G) using a reasonable interpretation? Until guidance is issued, the examples in lines IIh(1)-(4) show language that a plan can use to comply with this rule. Use line IIh(5) if the plan uses another approach to comply with this rule.				
IIh(1)	Notwithstanding any other provision in the plan, a participant's accrued benefit as of any determination date will never be less than the benefit required to comply with IRC § 411(b)(1)(G).				
IIh(2)	Notwithstanding any other provision in the plan, a participant's accrued benefit may not be reduced on account of an increase in a participant's age or service.				
IIh(3)	A participant's accrued benefit as of any determination date shall not be less than the accrued benefit to which the participant would have been entitled if he had ceased accruals at the end of any prior plan year.				
IIh(4)	A participant's accrued benefit shall be the lesser of the annuity benefit that the participant has accumulated to date (reflecting the use of the deferred annuity factor) and the annuity benefit the participant				

## Pension Equity Plan Determinations Worksheet

	would accumulate if he worked to NRA. (Note: if the plan does not already contain this provision, adding the provision will potentially violate IRC § 411(d)(6).)				
IIh(5)	Other (describe).				
	Skip to section IV.				
III.	No-Interest PEPs				
IIIa	Accrued Benefit Definition. If the plan does NOT credit interest to the accumulated benefit after accruals cease, and the plan does NOT use a deferred annuity factor to determine the accrued benefit, does the plan define the accrued benefit as the accumulated benefit divided by an immediate annuity factor at NRA?				
IIIb	Accrual rules. Does the plan satisfy one of the following:				
IIIb(1)	The plan's formula satisfies either the 133 1/3 percent rule, the fractional rule, or the 3% rule in form.				
IIIb(2)	The plan representative provided a demonstration or explanation showing how it satisfies either the 133 1/3 percent rule, the fractional rule, or the 3% rule.				
IV.	Plans with Multiple Formulas				
IVa	Accrued Benefit Definition. If the plan has more than one formula, are all of the formulas taken into account in the definition of accrued benefit?				
IVb	If the plan has more than one formula (e.g. "greater of" formula), does the plan satisfy the requirements for relief under Revenue Ruling 2008-7? In other words, does each component formula satisfy at least one of the accrual rules separately for years before 2009?				
IVc	For years after 2008, did the plan demonstrate reasonable compliance with the accrual rules with respect to multiple formulas.				
V.	Lump Sum Distributions				
Va	Does the plan provide for a lump sum distribution as one of the optional forms of benefit? If no, skip to section VI.				

## Pension Equity Plan Determinations Worksheet

Vb	For distributions on or before August 17, 2006, does the plan either provide that (1) the lump sum is at least the present value of the accrued benefit (expressed as an annuity at NRA), using IRC § 417(e)(3) assumptions, or (2) if the lump sum is equal to the accumulated PEP benefit, that the interest rate is one of the safe-harbor rates listed in Notice 96-8 and the plan does not reflect pre-retirement mortality?				
Vc	For distributions after August 17, 2006, if the plan was amended to provide that the lump sum optional form of payment is equal to the accumulated benefit, was the amendment adopted before the last day of the first plan year beginning in 2009 (e.g., for calendar years, by December 31, 2009)?				
Vd	For plans with multiple benefit formulas, to the extent that the benefit is attributable to any non-hybrid formula, does the plan provide that the present value of a benefit under any non-hybrid formula is determined by applying the IRC § 417(e) assumptions?				
VI.	Hybrid Plan Conversions				
VIa	For plans converted on or before June 29, 2005, does the plan provide that the accrued benefit can never be less than the accrued benefit immediately prior to the adoption of the pension equity formula?				
VIb	For plans converted after June 29, 2005, does the plan provide that the accrued benefit is no less than the sum of the benefit under the prior formula immediately prior to the amendment and the benefit under the PEP formula?				
VII	Eligibility for IRC § 7805(b) relief				
VIIa	Does the plan have a prior favorable determination letter that covers the PEP plan provisions? If so, note date in comments,				
VIIb	If the plan has a favorable determination letter covering the PEP plan provisions, are the current provisions substantially similar to the ones approved in the determination letter? If so the plan may be eligible for relief for past years and need only make prospective corrections.				