

**Internal Revenue Service**

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Date:  
November 12, 2009

Legend

Entity E =

Plan =

Dear :

This responds to your authorized representative's letter of June 2, 2009, and subsequent correspondence, on behalf of Entity E and its section 457(b) plan, requesting a ruling concerning the proposed restated deferred compensation plan (the "Plan"). E intends the Plan to be an updated eligible deferred compensation plan under section 457(b) of the Internal Revenue Code of 1986 (the "Code"), as amended under the Economic Growth and Tax Relief Reconciliation Act of 2001 (EGTRRA) and in subsequent legislation. The Plan has been or will be adopted by E, which is represented to be an eligible tax-exempt employer described in section 457(e)(1)(B) of the Code.

Under the Plan selected participants, who are currently key or highly compensated employees of E, may elect to defer compensation that would have been received for services rendered to E in any taxable year until severance from employment, or until the occurrence of an unforeseeable emergency.

A participant's election under the Plan to defer compensation not yet paid must be filed prior to the beginning of the month in which the compensation to be deferred is paid or made available. The Plan provides for a maximum amount that may be deferred by a participant in any taxable year and

also provides for a catch-up computation for amounts deferred for one or more of the participant's last three taxable years ending before he attains normal retirement age under the Plan. Pursuant to the Plan, E may make discretionary employer contributions to a participant's account up to a maximum amount determined thereunder. However, such employer contributions are included annually in determining whether a participant has reached the maximum annual deferral limitation under section 457(b) (2) or (3) of the Code. Under the Plan, the amounts that may be deferred under the annual maximum limitation and the catch-up provisions are within the limitations of section 457.

With certain limitations, a participant or a beneficiary (including an alternate payee) may elect the manner in which their deferred amounts will be distributed. The Plan also provides a default distribution provision for certain cases such as the participant's failing to make a timely distribution election. The Plan provides that the manner and time of benefit payout must meet the distribution requirements of sections 401(a)(9) and 457(d)(2) of the Code.

The Plan provides that all amounts of compensation deferred under the Plan and all income attributable to such amounts will remain (until made available to the participants or beneficiaries) solely the property and rights of the participant's employer E, subject only to the claims of E's general creditors. The Plan also provides that a participant or beneficiary has only an unsecured right to benefits thereunder, and no right or claim against the assets of his/her employer. The rights of any participant or beneficiary to payments pursuant to the Plan are generally non-assignable and not subject to pledge, alienation or encumbrance.

Section 457 of the Code provides rules for the deferral of compensation by an individual participating in an eligible deferred compensation plan as defined in section 457(b).

Section 457(a)(1)(B) of the Code provides that in the case of a participant in an eligible deferred compensation plan of a tax-exempt employer, any amount of compensation deferred under the plan and any income attributable to the amounts so deferred shall be includible in gross income only for the taxable year in which such compensation or other income is paid or otherwise made available to the participant or beneficiary.

Section 457(b)(5) prescribes that an eligible deferred compensation plan must meet the distribution requirements of section 457(d).

Section 457(b)(6) requires an eligible plan of a tax-exempt employer to provide that i) all amounts of compensation deferred under the plan, ii) all

property and rights purchased with such amounts, and iii) all income attributable to such amounts, property, or rights must remain (until made available to the participant or other beneficiary) solely the property and rights of the employer (without being restricted to the provision of benefits under the plan), subject only to the claims of the employer's general creditors.

Section 457(d)(1)(A) provides that for a section 457 plan to be an eligible plan, the plan must have distribution requirements providing that under the plan amounts will not be made available to participants or beneficiaries earlier than i) the calendar year in which the participant attains age 70½, ii) when the participant has a severance from employment with the employer, or iii) when the participant is faced with an unforeseeable emergency as determined under Treasury regulations.

Section 457(e)(1)(B) includes as an eligible employer an organization (other than a governmental unit) exempt from tax under Subtitle A of the Code.

Based upon the provisions of the Plan summarized above and the documents presented, we conclude as follows:

1. The Plan constitutes an eligible deferred compensation plan as defined in section 457(b) of the Code as amended under EGTRRA and subsequent statutes.
2. Amounts of compensation deferred in accordance with the Plan, including any income attributable to the deferred compensation, will be includible under section 457(a)(1)(B) in the recipient's gross income only for the taxable year or years in which amounts are paid or otherwise made available to a participant or beneficiary in accordance with the terms of the Plan.

No opinion is expressed concerning the timing of the inclusion in income of amounts deferred under any deferred compensation plan other than the above-described Plan. If the Plan is significantly modified, this ruling may not necessarily remain applicable.

This ruling is directed only to the Plan and not to any other section 457(b) plan, and it applies only if E revises the Plan submitted on June 2, 2009 with the signed amendments submitted on July 16, 2009. Section 6110(k)(3) of the Internal Revenue Code provides that this ruling may not be used or cited as precedent.

Sincerely,

Cheryl Press  
Senior Counsel, Qualified Plans Branch 2  
(Employee Benefits)  
(Tax Exempt & Government Entities)

Enclosure (1)