



TAX EXEMPT AND  
GOVERNMENT ENTITIES  
DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

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DEC 30 2014

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Re:

Dear :

This letter is to inform you that the Hospital's request for a waiver of the minimum funding standard for the Plan for the plan year ending December 31, 2007, has been granted subject to the following conditions. This conditional waiver has been granted in accordance with section 412(d) of the Internal Revenue Code ("Code") and section 303 of the Employee Retirement Income Security Act ("ERISA"), as it existed before amendment by the Pension Protection Act of 2006 ("PPA '06").

1. The Plan sponsor draft an amendment, based on our standard amendment, specifying:
  - a. it will use a 2.0% rate of interest under the plan in determining costs pursuant to Code section 412(d)(1)(A)(ii) and,
  - b. the methodology it will follow to make affected participant accounts whole should it not be able to amortize the waiver over a 5 year period.
2. The Plan sponsor then files for a favorable determination letter. Should there be a qualification issue regarding this amendment, the Plan will be deemed eligible to make an EPCRS submission to correct the issue.

Your attention is called to section 412(f) of the Code and section 304(b) of ERISA which describe the consequences that would result in the event the Plan is amended to increase benefits, change the rate in the accrual of benefits or to change the rate of vesting, while any portion of the waived funding deficiency remains unamortized. Please note that any amendment to a profit sharing plan or any other retirement plan (covering employees covered by the Plan) maintained by the Hospital, to increase the liabilities of those plans would be considered an amendment for purposes of section 412(f) of the Code and section 304(b) of ERISA. Similarly, the establishment of

a new profit sharing plan or any other retirement plan by the Hospital (covering employees covered by the Plan) would be considered an amendment for purposes of section 412(f) of the Code and section 304(b) of ERISA.

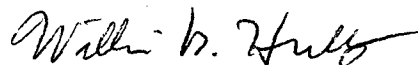
The Hospital is not-for-profit and experienced a temporary business hardship. The Plan is a money purchase plan, and the requested waiver is for a plan year occurring before the Pension Protection Act of 2006 ("PPA '06"). The Plan was converted, effective January 1, 20 , from a money purchase plan to a profit sharing plan to eliminate the contribution requirement in subsequent plan years.

This ruling is directed only to the taxpayer that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited by others as precedent.

We have sent a copy of this letter to the Manager, EP Classification in Baltimore, Maryland, to the Manager, EP Compliance Unit in Chicago, Illinois, and to your authorized representative pursuant to a power of attorney on file in this office. We suggest that you furnish a copy of this letter to the enrolled actuary who is responsible for the completion of the Schedule B.

If you have any questions, please contact

Sincerely yours,



William Hulteng, Manager  
Employee Plans Technical

Attachment

Attachment 1 - standard amendment

Cc:

## Attachment I

The employer, if unable to satisfy the minimum funding standard for a given plan year, may apply to the Internal Revenue Service for a waiver of the minimum funding standard. If the waiver is granted, the following provisions apply.

1. The valuation date for a given plan year is the last day of each plan year.
2. An adjusted account balance shall be maintained for each plan participant whose actual account balance is less than or equal to his or her adjusted account balance.
  - (a) For the plan year for which the first waiver is granted, the adjusted account balance as of the valuation date for each affected plan participant equals:
    - (1) the participant's actual account balance, plus
    - (2) the amount that such participant would have received if the amount waived had been contributed.
  - (b) For each plan year following the plan year for which a waiver is granted, the adjusted account balance of each participant affected by such waiver (calculated as of the valuation date for that year) equals:
    - (1) the adjusted account balance as of the valuation date in the prior plan year, plus
    - (2) the amount equal to the actual investment return credited or charged to the participant's actual account balance, plus
    - (3) the amount equal to 5% of the excess of the amount in (1) over the participant's actual account balance calculated as of the same date, plus
    - (4) the amount equal to such participant's allocated share of the employer's required contribution (whether or not waived) for the plan year (determined without regard to adjusted waiver payments and discretionary contributions), minus
    - (5) the amount of the participant's adjusted account balance forfeited during the plan year under the plan's provisions.
3. For a given plan year, the employer is required to contribute a certain amount in order to satisfy the minimum funding standard for such plan

year. For each plan year that follows a plan year for which a waiver of the minimum funding standard was granted, the amount equals:

- (1) the amount due in accordance with the plan's contribution formula (without regard to this section), plus
- (2) the adjusted waiver amount.

The adjusted waiver amount for a given plan year equals:

- (1) the sum of the amounts necessary to amortize each waived funding deficiency over a period of 5 plan years measured from the valuation date of the plan year for which the corresponding waiver was granted at  $t\%$ <sup>1</sup> interest, compounded annually, minus
- (2) the sum of the amounts necessary to amortize the total of each year's forfeitures (which have arisen since the first waiver was granted) over a period of 5 plan years measured from the valuation date of the plan year in which the corresponding forfeitures arose at 5% interest, compounded annually.

An amount equal to the adjusted waiver amount must be contributed only until each actual account balance equals the adjusted account balance. Any plan provision which provides that employer contributions shall be reduced immediately by forfeitures is revoked until each participant's actual account balance equals that participant's adjusted account balance.

Discretionary employer contributions, which are in addition to the amounts contributed to satisfy the minimum funding standard, can be made in any given plan year. However, the total employer contribution for the plan year cannot exceed the then remaining underfunded amount (the sum of the adjusted account balances minus the total plan assets).

4. The adjusted waiver payments, discretionary contributions, and forfeitures of actual account balances for the current plan year shall be allocated as of that year's valuation date to the actual account balance of each affected plan participant.

Each time a waiver is granted, an **Original Waiver Amount (OWA)** will be

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<sup>1</sup> For waivers granted for plan years beginning before January 1, 2008,  $t$  is the interest rate determined, on the first day of the plan year, in accordance with section 412(d)(1) of the Internal Revenue Code. For waivers granted for plan years beginning after December 31, 2007,  $t$  is the interest rate determined, on the first day of the plan year, in accordance with section 430(e)(3) of the Internal Revenue Code.

determined for each affected plan participant. The OWA equals the participant's portion of the amount that was waived.

Commencing with the valuation date of the plan year for which a waiver is granted, a **Remaining Original Waiver Amount (ROWA)** must be calculated for each affected plan participant. As of such valuation date, the OWA equals the ROWA. On the valuation date of a succeeding plan year, the ROWA equals the prior plan year's ROWA multiplied by  $(1 + t/100)$ , minus the forfeiture of amounts in the prior year's ROWA incurred in the current plan year, minus the allocation with respect to the OWA for the current plan year. For each waiver that is granted, one OWA and a corresponding ROWA will be established for each affected plan participant.

The sum of the adjusted waiver payments, discretionary contributions, and forfeitures of the actual account balances for a given plan year are allocated to those participants who have ROWA's by multiplying the sum of these three amounts by the fraction:

- (i) the numerator of which equals the sum of OWA's for a particular participant, and
- (ii) the denominator of which equals the sum of the OWA's for all participants.

To determine the portion of this allocation which is to be assigned to a given ROWA, multiply the allocation by the corresponding OWA, then divide by the sum of the OWA's for the particular participant.

If the calculation of a ROWA results in a value which is less than zero, then

- (1) the ROWA is set equal to zero,
- (2) the corresponding OWA is set equal to zero, and
- (3) the excess payments will be reallocated to the remaining ROWA's.

- 5. A distribution is determined by multiplying a participant's vested percentage by his or her adjusted account balance. However, distributions from the plan may not exceed a participant's actual account balance. If so limited, plan participants shall receive subsequent distributions derived from future adjusted waiver payments.