



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

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

SEP 28 2020

Number: 202052014
Release Date: 12/24/2020

Re: Request for a *reasonable* and *de minimis* plan ruling

Taxpayer =

Plan =

Dear :

This letter is in response to your December 4, 2019 request for a ruling on whether the proposed amendment described in your submission satisfies the exception under section 412(c)(7)(B)(i) of the Internal Revenue Code ("Code") so that the Plan can retain the section 431(d)(1) of the Code amortization extensions. Your request has been approved. The proposed amendment is *reasonable* and *de minimis* and satisfies the exception under section 412(c)(7)(B)(i) of the Code. As a result of this ruling, the ruling issued December 15, granting an extension of time to amortize certain unfunded accrued liabilities of the Plan for plan years beginning will not be adversely affected by the adoption of the proposed amendment.

Section 412(c)(7)(A) of the Code provides that no amendment of a plan which increases the liabilities of the plan by reason of any increase in benefits, any change in the accrual of benefits, or any changes in the rate at which benefits become nonforfeitable under the plan shall be adopted if an extension of time under section 431(d) of the Code is in effect with respect to the plan. If a plan is amended in violation of the preceding sentence, any such extension of time shall not apply to any plan year ending on or after the date on which such amendment is adopted.

Section 412(c)(7)(B)(i) of the Code provides that the restriction in section 412(c)(7)(A) of the Code shall not apply to any plan amendment which the Secretary determines to be *reasonable* and which provides only *de minimis* increases in the liabilities of the plan.

The Plan is a multiemployer defined benefit plan.

The proposed amendment provides a mandatory cash out window to all participants who have terminated employment with a vested benefit and who on have an accrued benefit that has a single sum present value that does not exceed

The mandatory cash out would result in full satisfaction of all liability under the Plan to such participant, spouse, or beneficiary. Each participant shall have the right to repay the distribution upon a return to covered employment to the extent required by section 411(a)(7)(C) of the Code.

The Plan has had various graded vesting schedules. These vesting schedules have resulted in a significant number of partially vested participants with very small benefits. Because these participants do not meet the eligibility requirements to retire early, the earliest their benefits can commence is their normal retirement date (typically age 65). For many of these participants eligible under the proposed amendment, the annual Pension Benefit Guaranty Corporation ("PBGC") premium amount is greater than the benefit being held by the Plan. The proposed amendment would reduce the administrative expense associated with tracking these participants as well as reduce PBGC premiums going forward.

The proposed plan amendment will eliminate administrative expenses associated with retaining very small benefits owed by the Plan that are more costly in some situations than the benefit is actually worth, and the proposed amendment is projected to improve the Plan's funded status. Accordingly, we conclude this amendment is *reasonable*.

According to information submitted by the Plan's authorized representative, the proposed amendment would increase the Plan's actuarial accrued liability by approximately as of . However, the proposed amendment is projected to ultimately improve the Plan's projected funded status approximately on , the end of the longest extended amortization base. Accordingly, we conclude this amendment is *de minimis*.

Consequently, your request for a ruling that the proposed amendment is *reasonable* and *de minimis* has been granted because it has been determined that it meets the requirements for the exception in section 412(c)(7)(B)(i) of the Code, and therefore, does not interfere with the amortization extension approval issued December 15,

In granting this approval, it is expected that the Plan's assumptions and methods will be reviewed and updated as appropriate so that each assumption is reasonable (taking into account the experience of the plan and reasonable expectations) and such assumptions, in combination, offer the best estimate of anticipated experience under the plan.

We are not expressing any opinion outside the ruling requested. This ruling does not address whether the proposed amendment complies with the rules for operation while a plan is in critical and declining status under section 432(b)(6) of the Code. Furthermore, we are not expressing any opinion as to the accuracy of any material submitted as part of your application.

We have sent a copy of this letter to your authorized representatives pursuant to a Power of Attorney and Declaration of Representative (Form 2848) on file with this office, the Manager, EP Classification in the Manager, EP Compliance Unit in

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.

If you require any further assistance in this matter, please contact (ID#) at ()

Sincerely,

David M. Ziegler
Manager, EP Actuarial Group 2

cc: