

IRS Extends Amendment Adoption Deadline to 2011 for PPA Defined Benefit Funding and Special Cash Balance Plan Rules

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On November 30, 2010, the IRS issued Notice 2010-77, which extends the deadline for adopting amendments to comply with the Pension Protection Act of 2006 (the "PPA") regarding:

- Funding-based limits for defined benefit plans
- Special rules relating to "hybrid" plans (*i.e.*, defined benefit plans with hypothetical account balances, such as cash balance plans and pension equity plans)

The deadline for adopting amendments to comply with the above PPA provisions has been extended to the last day of the first plan year beginning on or after January 1, 2011 (*i.e.*, December 31, 2011 for calendar-year plans). However, plans must operate in compliance with the PPA rules now, even though those requirements and restrictions do not have to be reflected in the plan's terms until the end of the 2011 plan year.

The PPA funding-based limits include restrictions on the amount of benefit and forms of payment available under defined benefit plans that fall below various funding levels. The hybrid-plan rules include required vesting after three years of service, and special rules on the interest rate and other plan provisions used to determine the amount of benefits payable that will not cause the plan formula to discriminate on the basis of age.



If you have any questions regarding the IRS Notice, or if you have any other questions you would like to discuss, please call one of the members of the Reed Smith Employee Benefits team listed on the right, or the attorney with whom you normally work.

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