

Publications

View from Groom: Final Cash Balance Regulations Provide More Time and Flexibility

ATTORNEYS & PROFESSIONALS

Mark Lofgren

mlofgren@groom.com

202-861-6614

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At long last (after nine years), the Treasury and IRS can finally say they have issued a complete set of regulations addressing the broad changes made by the Pension Protection Act of 2006 (“PPA”) to the tax qualification rules applicable to cash balance and other hybrid defined benefit pension plans. The newest installment of these rules, and the last piece needed to complete the set, were issued on November 13, 2015 (220 PBD, 11/16/15)(80 Fed. Reg. 70680).

These new regulations primarily make changes in the following two areas:

- They delay by one-year most of the rules that were reflected in final regulations issued in September of 2014. These rules will become effective as of the first day of the first plan year that begins in 2017. The rules had been scheduled to apply as early as January 1, 2016.
- They liberalize and finalize the transition rules that will govern how plans that currently employ an above-market interest-crediting rate must transition to a permissible rate, and make a few other helpful changes to the “market-rate” rules.

The attached article is a summary of the changes made by this most recent set of regulations. The Appendix to this article summarizes all of the final rules regarding permitted interest-crediting rates and methods and the transition rules for correcting impermissible rates.

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