



# ASci Alert

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## IRS Again Extends Deadline for Pre-Approved PPA Defined Benefit and Cash Balance Plans

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As expected, the Internal Revenue Service has extended the deadline for sponsors (including mass submitter sponsors) to submit applications for pre-approved PPA defined benefit and cash balance plans. In IRS Announcement 2014-41 (“Announcement”), the IRS extends the deadline to June 30, 2015 from its previously announced deadline of February 2, 2015. It is expected the IRS will complete its review of the defined benefit/cash balance plans and open the 2-year window for adopting employers to restate their plans for PPA sometime in 2017.

The reason for the extension is that the IRS has not issued the necessary guidance, including program parameters and suggested plan language, for document providers to draft their plans. Previously, the IRS announced its intent to allow pre-approved defined benefit plans to include cash balance provisions and delayed the opening of the program until it issued the appropriate guidance. At this time, since the guidance still is not available for document providers, the IRS was compelled to delay the program one more time. Hopefully, the IRS will issue the appropriate guidance well before the June 30, 2015 deadline.

**ASci Insight:** Until the IRS announced its latest extension, ASCi had begun the client enrollment process for our pre-approved PPA defined benefit plan documents. (See ASCi Alert 2014-2.) With this new extension, ASCi will delay the enrollment process until the IRS issues guidance on the program parameters. Based on informal discussions with the IRS regarding the revised pre-approved defined benefit plan program, ASCi expects to offer a volume submitter plan consisting of one basic plan document and two adoption agreements. Like our current ASCi volume submitter defined benefit plan, one adoption agreement will provide provisions for both integrated and non-integrated plans. (Note, these features are provided under separate plans on the DGEM system.) A second adoption agreement will contain cash balance plan features.

### IRS Announces Two-day Extension for Cycle D Filers

In addition to extending the deadline for pre-approved PPA defined benefit plan submissions, Announcement 2014-41 provides an extension from January 31, 2015 to February 2, 2015 for cycle D on-cycle determination letter submissions. These submissions primarily are for individually-designed plans and multiemployer plans.

### Cycle D Cash Balance Plans and Form 8905

Employers maintaining cycle D individually-designed cash balance plans should consider completing a Form 8905, *Certification of Intent to Adopt a Pre-Approved Plan*, and, therefore, avoid the need to restate the plan as an individually designed plan by the extended February 2, 2015 deadline. The employer could use a pre-approved PPA defined benefit plan with cash balance features after the IRS approves these plans.

Although we do not know the precise parameters of the expanded pre-approved defined benefit plan program, we expect that many employers with cash balance plans will be able to utilize the pre-approved plan format. Even if employers are unsure whether their cash balance plans will “fit” the yet-to-be announced parameters for the pre-approved defined benefit plan program, we generally recommend that Cycle D filers complete the Form 8905. Potentially, this could save the adopting employer significant user fees. (Under the current IRS fee schedule, the fee for submission of a Form 5300 for an individually - designed plan is \$2,500, while the user fee for adoption of a word-for-word pre-approved defined benefit plan with cash balance features is \$400.)

If the expanded pre-approved defined benefit plan program does not accommodate an employer’s particular cash balance plan design, such employer may still adopt an individually designed plan even though it completed a Form 8905. In that situation, the IRS will not consider the employer to have missed its PPA cycle D remedial amendment period.

ASci will keep clients informed as soon as the IRS provides guidance on the parameters for the revised pre-approved PPA defined benefit plan program.

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