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IRS, Treasury Issue Additional Proposed Regulations on Pension Protection Act Funding Rules

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WASHINGTON — The Treasury Department and the Internal Revenue Service today issued proposed regulations that provide employers sponsoring single-employer defined benefit plans with guidance regarding the measurement of pension assets and liabilities under the new funding rules enacted as part of the Pension Protection Act of 2006.

These proposed regulations, together with proposed regulations related to mortality issued in May, proposed regulations relating to funding balances and funding-based benefit limitations issued in August, the yield curve guidance issued in October, and guidance on lump sum determinations issued in November will assist plan sponsors in determining the contribution requirements that apply to their defined benefit plans for the first year that the new funding rules apply.

Although the new funding rules are generally effective for plan years beginning on or after Jan. 1, 2008, these regulations are proposed to be effective for plan years beginning on or after Jan. 1, 2009. However, plan sponsors can rely on these proposed regulations for purposes of satisfying the requirements of section 430 for plan years beginning in 2008.

The Treasury Department and the Internal Revenue Service intend to issue guidance in the near future indicating that the proposed effective date for these regulations should also apply for the proposed regulations relating to employer-specific mortality tables issued in May and the proposed regulations related to funding balances and funding based-benefit limitations under sections 430(f) and 436 issued in August. Although final regulations will not apply to plan years beginning before January 1, 2009, plan sponsors may also rely on those proposed regulations for purposes of satisfying the statutory requirements for plan years beginning in 2008.

On Dec. 19, 2007, the Senate passed an amended version of the Pension Protection Technical Corrections Act of 2007. These proposed regulations, like the earlier proposed regulations, do not reflect any proposed technical corrections. Nor do they include any reflection of the proposed modification to the rules for determining asset values. After technical corrections are enacted, the regulations will be modified to take into account the enacted provisions.