



# ASci Alert

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## No IRS Guidance on Opening of Pre-Approved Plan Program for PPA Defined Benefit Plans ASci Enrollment Opens, but No Fees Required at This Time

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In IRS Announcement 2014-4 (“Announcement”), the IRS announced an extension, to **February 2, 2015**, of the deadline for the submission of applications for pre-approved PPA defined benefit plans. This extension was intended to allow pre-approved defined benefit plans to include cash balance provisions for the first time and for the IRS to develop the parameters of the revised program. The IRS stated that practitioners should not submit pre-approved plans with cash balance features until it provided future guidance. To date, the IRS has not provided any guidance.

The IRS released the Announcement on January 31, 2014, just a few days before the original February 2, 2014 deadline. Due to the late date of the Announcement, ASCi and other document providers had already started the enrollment process for their clients. Documents providers are now in a similar position with the new deadline. **While we believe that the IRS is likely to extend the deadline again, we must prepare for the possible February 2, 2015 deadline.**

### ASci Enrollment Opens, but No Fees Required at This Time

In the next several days, ASCi will open its enrollment process for its pre-approved PPA defined benefit plans. Clients will be asked to indicate which of the ASCi pre-approved PPA defined benefit plans they wish to sponsor. At this time (without IRS guidance on the parameters of the new program), ASCi believes it will 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.

ASci will not ask for any fees at the time of enrollment. Clients will be asked to agree to pay the appropriate fees after the IRS announces the parameters and submission deadlines for the pre-approved defined benefit plan program. ASCi will provide a credit for clients who paid fees earlier this year before the IRS announced its first extension.

ASci understands the difficulty in the decision to enroll without the benefit of IRS guidance. However, we need to assume that we must

submit our pre-approved PPA defined benefit plans by February 2, 2015. The IRS must issue guidance before that date. Once issued, ASCi will analyze the guidance and revise its documents accordingly. Clients who already have enrolled for the ASCi pre-approved PPA defined plans will have the opportunity to revise their enrollment selections.

### Completion of Form 8905 for Cycle D Individually Designed Cash Balance Plans

Under Announcement 2014-4, the IRS allowed employers with Cycle C cash balance plans to complete a Form 8905, *Certification of Intent to Adopt a Pre-Approved Plan*, avoiding the need to restate on an individually designed plan and submit for an IRS determination letter. While the IRS announcement only addressed Cycle C filers, ASCi expects that the IRS will provide a similar ability for employers with Cycle D cash balance plans (restatement deadline January 31, 2015) to complete a Form 8905 and avoid the need to restate using an individually designed plan.

**ASci Insight:** 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. (The current user 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 will be \$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 remedial amendment period.

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

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