



## **IRS Expands Use Of Pre-Approved Plan Documents To Cash Balance Plans**



### **Legacy Retirement Solutions, LLC**

P.O. Box 1215  
Brookhaven, PA 19015

Phone: 484-483-1044  
Fax: 484-361-4800

E-mail: [marketing@legacysllc.com](mailto:marketing@legacysllc.com)

## IRS Expands Use Of Pre-Approved Plan Documents To Cash Balance Plans

Currently, the Internal Revenue Service (“IRS”) requires that all “Cash Balance” plans employ an “individually designed” plan document. While individually designed plan documents *do* provide the greatest degree of flexibility with regard to plan design, there is a “trade-off” that occurs when such a plan document is used. This is because an individually designed plan document also happens to be the most expensive form of plan document for a plan sponsor to adopt and maintain. Therefore, the increased plan design flexibility available through an individually designed plan document comes at a very real and direct cost.

Although there may be certain Cash Balance plans that, due to the plan design requirements of its sponsor, require the flexibility only available within an individually designed plan document; it is likely that situation is the exception and not the rule. Consequently, many Cash Balance sponsors would likely benefit from the cost savings available through the utilization of a “pre-approved” plan document (e.g., prototype and volume submitter documents) if only the IRS would allow Cash Balance plans to use pre-approved plan documents.

Fortunately, on January 23, 2014, IRS Announcement 2014-4 (“IRS Announcement”) was released which advised that the IRS intends to extend the existing “defined benefit” pre-approved plan document program in order to accept Cash Balance plans. Therefore, in the foreseeable future, pre-approved Cash Balance plan documents will become available. This is a welcome change to existing IRS policy as it will allow many sponsors of Cash Balance plans to transition into a cheaper and easier to maintain pre-approved plan document.

The IRS Announcement does not specify exactly when the new documents will become available. However, based on the existing defined benefit pre-approved plan document program and its past schedule for releasing new pre-approved plan documents, it is reasonable to expect that such plans may become available in 2017. Until the time that these new plan documents become available for use by sponsors of Cash Balance plans, there is little to do but wait...with one notable exception. Sponsors of many existing Cash Balance plans will need to timely execute a Form 8905, Certification of Intent to Adopt a Pre-Approved Plan (“Form 8905”), in order to facilitate the earliest possible “conversion” of their existing individually designed Cash Balance plan onto a pre-approved plan document.

Essentially, the execution of the Form 8905 memorializes the Sponsor’s intent to extricate itself from the restatement cycle (the mandatory periodic updating of retirement plan documents) associated with an individually designed plan document and transition onto a pre-approved plan document with a different restatement cycle. However, it is important to note that the execution of a Form 8905 does not obligate a sponsor to convert to a pre-approved plan document. It only preserves the right to do so at the earliest possible opportunity in the event that the sponsor voluntarily elects to do so.



**Legacy Retirement Solutions, LLC**

P.O. Box 1215  
Brookhaven, PA 19015  
Phone: 484-483-1044  
Fax: 484-361-4800

If you or one of your clients sponsor a Cash Balance plan and you have not already been contacted by your third-party retirement plan administrator and/or plan document provider, we strongly encourage you to contact them now in order to discuss this important issue. In certain circumstances, a Form 8905 must be signed by no later than March 31, 2014. Therefore, this is an issue that requires your immediate attention.

As always, for more information about this issue, please contact our marketing department at 484-483-1044 or your administrator at Legacy.



**Legacy Retirement Solutions, LLC**

P.O. Box 1215  
Brookhaven, PA 19015  
Phone: 484-483-1044  
Fax: 484-361-4800