

IRS Proposes Nondiscrimination Relief for Certain "Closed" Defined Benefit Pension Plans

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Many employers have moved away from traditional defined benefit plans, but have not completely terminated those plans. This movement may have been in the form of "freezing" participation so that new employees cannot participate or through the adoption of a new benefit formula, like a cash balance plan, where certain employees in the "old" defined benefit plan formula have been allowed to continue to earn benefits under that formula. In either case, the traditional defined benefit plan is referred to by the IRS as a "closed" plan, and the employees continuing to earn benefits are referred to as "grandfathered" employees. The IRS recently issued proposed regulations that would modify the nondiscrimination requirements applicable to these closed plans because the proportion of the grandfathered employees who are highly compensated tends to increase over time. The proposed regulations would provide temporary nondiscrimination relief where the proportion of highly compensated employees has increased due to ordinary demographic changes. Comments to the proposed rules may be provided until April 28, 2016, and a public hearing has been scheduled for May 19, 2016. The proposed regulations are available [here](#).