IRS Proposes to Eliminate Lump Sum Cashout Windows for Defined Benefit Plan Retirees in Pay Status

July 16, 2015

In Notice 2015-49, the IRS announced that it proposes to amend the Treasury Regulations under Section 401(a)(9) of the Internal Revenue Code, effective as of July 9, 2015, to prohibit defined benefit plan sponsors from amending their plans to offer a lump sum cashout window to participants already in pay status. The announcement does not affect lump sum cashout windows for participants who are not already in pay status. Notice 2015-49 contains limited exceptions for cashout windows (i) that received a favorable private letter ruling before July 9, 2015; (ii) that were adopted or authorized by an entity with authority to amend the plan before July 9, 2015; (iii) that were adopted pursuant to a collective bargaining agreement in place before July 9, 2015; or (iv) for which participants received a written notice before July 9, 2015, communicating a definite intent to offer a cashout window. IRS Notice 2015-49 can be found?Ã¡**here**.