New Regulations Regarding Hybrid Defined Benefit Plans

October 1, 2014

Final regulations were issued relating to defined benefit plans that use a lump-sum based benefit formula, including cash balance plans, pension equity plans, and other hybrid retirement plans. The regulations provide guidance with respect to certain issues regarding minimum vesting standards and accrual requirements that were not addressed in the 2010 regulations and make certain changes to such requirements. Such changes include extending the relief provided to pension equity plans to include a benefit formula that is expressed as a current single-sum dollar amount equal to a percentage of the participant?ÃÃs *highest* average compensation. A hybrid plan satisfies the prohibition on age discrimination only if the plan does not credit interest at a rate that is greater than a market rate of return. One notable change includes expanding the list of rates that satisfy this market rate of return requirement and allowing for the list of permitted rates to be further expanded in the future. Generally, the regulations apply to plan years that begin on or after January 1, 2016.?Ã¡ The final regulations can be found?Ã¡**here**.

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