



Required Changes to Pension Plan Normal Retirement Age

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PRACTICE AREAS

Employee Benefits

The IRS recently published regulations regarding distributions from a qualified pension plan upon attainment of normal retirement age, but prior to the employee's separation from service. These regulations apply to distributions made after May 22, 2007, from defined benefit plans, money purchase pension plans and 401(k) and profit sharing plans that hold money purchase pension plan assets that have been transferred into the 401(k) or profit sharing plan. The regulations provide that such plans may pay retirement benefits after the attainment of normal retirement age (NRA), even if the participant has not yet separated from service. For this purpose, NRA under the plan must be at least age 62. Certain exceptions apply.

In general, if your pension plan or transferee 401(k)/profit sharing plan permits "in-service" distributions at NRA, a plan amendment must be adopted by the later of the end of the plan year beginning after June 30, 2008 or the tax return due date for the employer's taxable year that includes the first day of the first plan year beginning after June 30, 2008. However, plans affected by the new law must be administered in a manner that complies with these rules prior to the adoption of the formal plan amendment. Special rules apply to governmental plans, collectively bargained plans and any other qualified pension or transferee plans that currently use an NRA earlier than age 55. Please contact your employee benefits advisor for more information.