

Client Alert

Treasury and IRS Withdraw Cash Balance Regulations

Introduction

In December 2002, the Treasury Department and the Internal Revenue Service issued proposed regulations relating to age discrimination for qualified plans, including proposed regulations for cash balance plans under Internal Revenue Code Section 401(a)(4). Yesterday, the Treasury Department and IRS announced that it will be withdrawing certain proposed regulations relating to cash balance plans. The proposed regulations are being withdrawn in response to a number of comments regarding problems in converting traditional pension plans to cash balance plans. In response to the comments, the Treasury and IRS noted that the proposed regulations would have the unintended consequence of making it more difficult for employers to provide transitional relief to workers in cash balance conversions. The announcement withdrawing the proposed regulations notes that the “Treasury and IRS remain concerned about the potential for plan sponsors to avoid the requirements of the new comparability regulations through the use of a cash balance plan.” The announcement also notes that the Treasury Department and IRS intend to issue new proposed regulations that will address the specific concerns without creating impediments to conversion practices made in the interests of fairness to participants. Until the new proposed regulations are issued, the fate of cash balance plan conversions remains uncertain.

April 8, 2003

For Additional Information

This client alert can be found, together with other recent Chadbourne & Parke LLP client alerts, at http://www.chadbourne.com/publications/sub_Publications.html. If you have any questions regarding cash balance plans, please contact any of the following:

Edward P. Smith	(212) 408-5371	esmith@chadbourne.com
Marjorie M. Glover	(212) 408-1016	mglover@chadbourne.com
Sarah C. Richards	(212) 408-5426	srichards@chadbourne.com
Scott D. Segal	(212) 408-5109	ssegal@chadbourne.com
David Gallai	(212) 408-1033	dgallai@chadbourne.com

Chadbourne & Parke LLP

New York
30 Rockefeller Plaza
New York, New York 10112
Telephone: (212) 408-5100
Facsimile: (212) 541-5369

Washington, D.C.
1200 New Hampshire Avenue, N.W.
Washington, D.C. 20036
Telephone: (202) 974-5600
Facsimile: (202) 974-5602

Los Angeles
350 South Grand Avenue, Suite 3300
Los Angeles, CA 90071
Telephone: (213) 892-1000
Facsimile: (213) 622-9865

Houston
1100 Louisiana
Houston, TX 77002
Telephone: (713) 571-5900
Facsimile: (713) 571-5970

London
Chadbourne & Parke (a multinational partnership)
Regis House
45 King William Street
London EC4R 9AN
Telephone: (44-20) 7337-8000
Facsimile: (44-20) 7337-8001

Moscow
Riverside Towers
52/5 Kosmodamianskaya Naberezhnaya
Moscow 115054
Russian Federation
Telephone: (7-095) 974-2424
Facsimile: (7-095) 974-2425

Beijing
Suite C3, Plaza Business Centre
3rd Floor, North Tower
Beijing Kerry Centre
1 Guang Hua Road
Chao Yang District
Beijing 100020, China
Telephone: (86-10) 8529-8892
Facsimile: (86-10) 8529-8866

If you would like additional copies of this client alert, please contact Doreen Norden, Director of Marketing and Creative Services, at (212) 408-5190 or e-mail: dnorden@chadbourne.com.