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Governmental Plans Update: August 2015

February 1, 2016: Last Chance to Obtain Determination Letter?

On July 21, 2015, the IRS announced that it will change the determination letter procedures for individually designed plans effective January 1, 2017. Instead of a five-year schedule, determination letters will be issued only when plans are adopted and when they are terminated. For governmental plans, this change will mean that the current Cycle E may be the last opportunity to obtain a determination letter.

Under procedures established by the Internal Revenue Service, every individually designed qualified retirement plan is required to be restated every five years. Requests for determination letters, which are optional but may be desired, are on the same schedule as plan restatements. The five-year cycle for governmental retirement plans is Cycle C, the deadline for which was January 31, 2014. However, the IRS has allowed governmental plans to elect to be in Cycle E, which has a deadline of February 1, 2016. To elect into Cycle E, a determination letter must be requested for the restated plan by February 1, 2016.

To comply with the IRS procedures, governmental plan sponsors that have not yet started the restatement process should begin now. Restated plans should incorporate any amendments adopted since the last restatement; any applicable changes in the law; and any desired design changes. A recent change in Missouri law that employers may want to include in their restatements is RSMo Section 105.669, which prohibits the payment of certain benefits to participants who have been found guilty of specified felonies.

If you are seeking assistance with your plan's legal needs, please contact Alan Kandel at 314.345.6463.