

SECTION 417(e)

Minimum Lump sums

§417(e)

RESTRICTIONS ON CASH-OUTS

Mandatory cash-out allowed if value is less than \$5,000 (411(a)(11) threshold)

For cash-out of higher value, must obtain consent of participant and spouse

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ASSUMPTION CHANGES - EGTRRA REVENUE RULING 2001-62

- 1. New 1994 GAR mortality table**
- 2. Change can decrease lump sum value, but does not violate 411(d)(6)**
3. Remedial amendment period ends on last day of 2005 plan year - but must have "good faith" amendment for 2002 plan year
4. Must be effective for annuity starting dates after 12/31/2002 (94 GAR effective date)
5. Optional earlier effective date via plan amendment
6. Amendment must allow for distributions between effective date and adoption date

§417(e)(3)

MINIMUM PRESENT VALUE – 2008

Present value calculated under plan can't be less than PV using “applicable interest” and “applicable mortality”

- 1. Applicable mortality is same as funding mortality under 430(h)(3)**
- 2. Mortality definition ignores both
430(h)(3)(C) plan-specific substitute table
430(h)(3)(D) different mortality for disabled**
- 3. Applicable interest is yield curve – see next page**

§417(e)(3)(D)(i)
MODIFIED YIELD CURVE

MAP-21

Interest rates for 417 minimum PV calculation

For benefits payable

- First 5 years
- Next 15 years
- After 20 years

Use segment rate

First 5 years
Next 15 years
After 20 years

Modified corporate bond yield curve

- Average for the 417 look back month
(no averaging over prior 24 months)

**NOTE - Must ignore effect of MAP-21 on
IRC 430 segment interest rates**

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APPLICABLE INTEREST CHANGES - RPA '94

OLD: PBGC graded rates

NEW: 30 year Treasury rates

DEFINITIONS:

Stability period: 1, 3, or 12 months
Plan year or Calendar year

Lookback period: 1 to 5 months

§1.417(e)-1(d)(10) GRANDFATHERING RULES

Transition rules to avoid violating §411(d)(6) vary depending on lump sum basis in plan:

	Old / New	Interest basis	Mortality basis
Case 1	Old	30 Year treasury	Applicable mortality
	New	Applicable interest	Applicable mortality
No grandfathering required			

Case 2	Old	30 Year treasury	Applicable mortality
	New	Applicable interest, chg lookback / stability period	Applicable mortality
12 months of grandfathering required			

Case 3	Old	Z% interest	Unspecified
	New	Z% interest	Applicable mortality
Always compare L.S. using App interest + App mortality			

Case 4	Old	Z% interest	Unspecified
	New	Applicable interest	Applicable mortality
Permanent grandfathering of old basis lump sum using frozen accrued benefit (when basis changed)			

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