



# TaxNewsFlash

## United States

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### **Proposed regulations: Minimum present value, defined benefit plans**

The U.S. Treasury Department and IRS today released for publication in the Federal Register proposed regulations (REG-107424-12) relating to the minimum present value requirements for certain defined benefit pension plans.

Today's [proposed regulations](#) [PDF 238 KB] provide guidance with respect to changes made by the Pension Protection Act of 2006 (PPA '06), and:

- Would amend the current final regulations under section 417(e) regarding the minimum present value requirements of section 417(e)(3) in several areas
- Would update the regulations for changes made by PPA '06 and to eliminate certain obsolete provisions
- Contain a few other clarifying changes

#### **Overview**

The proposed regulations reflect the statutory changes made by PPA '06, including the new interest rates and mortality tables set forth in section 417(e)(3) and the exception from the valuation rules for certain applicable defined benefit plans set forth in section 411(a)(13).

The proposed regulations clarify that the interest rates that are published by the IRS Commissioner (pursuant to the provisions as modified by PPA '06) are to be used without further adjustment. In addition, the proposed regulations would eliminate obsolete provisions of the regulations relating to the transition from pre-1995 law to the interest rates and mortality assumptions provided by GATT (the Uruguay Round Agreements Act, Public Law 103-465).

The proposed regulations make conforming changes to reflect the final regulations under section 417(e) that permit defined benefit plans to simplify the treatment of

certain optional forms of benefit that are paid partly in the form of an annuity and partly in a more accelerated form.

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