PPA Restatements

It is time for PPA Restatements!

As new legislation occurs, retirement plans must be rewritten to adhere to current laws. The process of bringing the plan up to date with new legal requirements is called restatement. The IRS understands that laws are constantly changing and it would be difficult for plan sponsors to rewrite their entire plan for every regulatory change. For this reason, PPA Restatements, named after the Pension Protection Act, are cyclical.

When tax legislation is passed, it is analyzed by the IRS to determine the imminent affect it will have on qualified retirement plan operation. During this lengthy process, plan sponsors are left to operate their plans in "good faith" by complying with the law to the best of their knowledge. Often, this includes adopting "good faith" interim amendments to comply with new laws and any given IRS guidance. Near the end of the cycle, the plan is given a two year window for mandatory restatement and a deadline by which the plan must be rewritten to achieve full compliance with new laws. Approximately 80% of all retirement plans are pre-approved plans known as prototype or volume submitter plans. The window for the current prototype plan restatements began on May 1, 2014 and the deadline for full compliance is April 30, 2016. Please note that defined benefit plans have a different cycle than defined contribution plans. The cycle for Individually Designed, Multiemployer and other plan types is based on the plan's EIN. The current restatement should reflect the following regulatory and legislative changes, as well as previous plan based amendments:

- Section 415 Regulations - Post-severance compensation
- Pension Protection Act of 2006 (PPA)
- Heroes Earnings Assistance and Relief Tax Act of 2008 (HEART)
- Worker, Retiree, and Employer Recovery Act of 2008 (WRERA)

As a reminder, this restatement is not voluntary. Noncompliance can result in plan disqualification, taxation, loss of deductions and penalties.

Special Considerations

While plans must be rewritten to comply with new legislation, the new plan document cannot be vastly different than the old document or change protected benefits. Protected benefits include "forms of distributions (such as lump sum and annuities) and timing of distributions (such as early retirement provisions)".