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Treasury and IRS Withdraw Proposed Cash Balance Regulations

Today, the Treasury Department and the IRS announced the withdrawal of proposed regulations on cash balance pension plans and cash balance conversions.

The regulations are being withdrawn to provide Congress an opportunity to review and consider a legislative proposal on cash balance plans that was included in the Administration's Budget for Fiscal Year 2005. The legislative proposal would require a five-year "hold harmless" period for current employees following a cash balance conversion, would ban benefit "wear-away" after a cash balance conversion, and would clarify the legal status of cash balance plans and other hybrid plans.

"We have proposed legislation that requires companies to deal fairly with their older workers when they convert to cash balance plans," said Greg Jenner, Acting Assistant Secretary for Tax Policy. "We want to work with Congress to enact these employee protections and remove legal uncertainty about cash balance plans."

The regulations, which were proposed in December of 2002, would have applied the statutory age-discrimination rules to cash balance plans and cash balance conversions. Treasury and the IRS will not publish new age-discrimination guidance for cash balance plans or other hybrid plans while these issues are under consideration by Congress.

REPORTS

- [The Text of Announcement 2004-57](#)