

MEMO# 30940

November 7, 2017

IRS Ruling Confirms Use of Automatic Enrollment in Government 457 Plan

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TO: ICI Members

Pension Committee

Pension Operations Advisory Committee SUBJECTS: Pension RE: IRS Ruling Confirms Use of Automatic Enrollment in Government 457 Plan

The Internal Revenue Service (IRS) has issued a private letter ruling (PLR) confirming that a governmental 457(b) plan may incorporate an automatic enrollment feature. PLR 201743002^[1] describes a 457(b) eligible deferred compensation plan sponsored by a county government for its employees and that provides for an eligible automatic contribution arrangement (EACA) as described in Internal Revenue Code (Code) section 414(w)(3). The PLR is conditioned on the representations made by the applicant and provides in relevant part that:

- Maintaining an EACA (within the meaning of section 414(w)(3)) through the plan, under which the participant is treated as having elected to have the employer make contributions in an amount equal to a uniform percentage of compensation provided under the plan until the participant specifically elects not to have contributions made (or specifically elects to have contributions made at a different percentage), does not cause the plan to fail to satisfy section 457(b)(4) and Treasury regulation section 1.457-4(b); and
- Permissible withdrawals (within the meaning of section 414(w)(2)) made from the plan are includible in the gross income of the employee for the taxable year of the employee in which the distribution is made and such permissible withdrawals do not violate the distribution restrictions of sections 457(b)(5) and 457(d)(1)(A).

Private letter rulings are directed only to the taxpayer requesting the ruling and, pursuant to Code section 6110(k)(3), may not be relied on or cited as precedent. Such rulings, however, are useful as an indication of IRS views on a particular topic.

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endnotes

[1] PLR 201743002 is available here: <https://www.irs.gov/pub/irs-wd/201743002.pdf>.

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