

MEMO# 2473

January 16, 1991

PARTICIPANTS IN FROZEN PLANS INELIGIBLE FOR IRA DEDUCTION

January 16, 1991 TO: PENSION MEMBERS NO. 2-91 RE: PARTICIPANTS IN FROZEN PLANS
INELIGIBLE FOR IRA DEDUCTION

As you are aware, individuals with incomes in excess of a certain level and who are active participants in a pension plan are denied deductions for IRA contribution. The Internal Revenue Service recently announced that a participant in a pension plan which was frozen pursuant to Model Amendment 2 or 3 of Notice 88- 131 is generally considered an active participant in a pension plan for purposes of determining whether IRA contributions are deductible. The Service concluded that this result applied for employees in either defined benefit or defined contribution plans whose benefit accruals have been suspended pursuant to the model amendments. However, these employees cease to be active participants if the employer does not intend to accrue additional benefits under the plan. IRS Announcement 91-11 is attached. We will keep you informed of further developments. W. Richard Mason
Assistant General Counsel Attachment

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