

MEMO# 1207

June 13, 1989

IRS NOTICE CONCERNING INTEGRATION WITH SOCIAL SECURITY

June 13, 1989 TO: PENSION MEMBERS NO. 29-89 RE: IRS NOTICE CONCERNING
INTEGRATION WITH SOCIAL SECURITY

As we previously advised, the IRS in November 1988 issued proposed regulations under section 401(a)(5) and 401(l) of the Code with respect to permitted disparities in contributions or benefits. (See Institute Memorandum to Pension Members No. 46- 88, dated November 17, 1988.) These regulations provided that, in order for such disparity to be permitted under a defined contribution plan, the plan must be an excess plan and must use the taxable wage base under section 230 of the Social Security Act as the integration level. In addition, these proposed regulations stated that the difference between the excess contribution percentage and the base contribution percentage must be uniform for all participants and must not exceed the maximum excess allowance. Attached is a copy of IRS Notice 89-70, which supplements the proposed regulations. The provision of the notice that addresses defined contribution plans states that the integration level may be set below the taxable wage base under certain circumstances. If the integration level exceeds the greater of \$10,000 or 1/5 of the taxable wage base, however, the calculation of the maximum excess allowance must be modified. We will keep you informed of further developments. Kathy D. Ireland Assistant General Counsel Attachments

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.