

MEMO# 1271

July 20, 1989

IRS REVENUE RULING CONCERNING WASTING TRUSTS

July 20, 1989 TO: PENSION MEMBERS NO. 32-89 RE: IRS REVENUE RULING CONCERNING WASTING TRUSTS _____ Attached is a copy of IRS Revenue Ruling 89-87, which addresses a plan that was amended to terminate the plan and cease accruals, but assets were held in the trust which remained in effect in order to make distributions when employees became entitled to payments. The revenue ruling holds that a qualified plan under which benefit accruals have ceased is not terminated if, after an amendment is adopted to terminate the plan, the plan assets are not distributed as soon as administratively feasible. The determination of whether a distribution is made as soon as administratively feasible depends upon the facts and circumstances, but the IRS generally will presume that a distribution is not made within the required time if the distribution is not completed within one year following the date of plan termination. If the plan is not considered terminated, it is an ongoing plan and must meet the requirements of section 401(a) in order to continue its qualified status. The revenue ruling provides relief from retroactive application for certain plans. We will keep you informed of further developments. Kathy D. Ireland Assistant General Counsel Attachment

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