

**MEMO# 11677**

February 28, 2000

## **IRS SEEKS COMMENTS ON "NEW COMPARABILITY" PLANS**

[11677] February 28, 2000 TO: PENSION COMMITTEE No. 18-00 RE: IRS SEEKS COMMENTS ON ""NEW COMPARABILITY"" PLANS

The Internal Revenue Service has announced in Notice 2000-14 that the Service and the Treasury Department are reviewing issues posed by "new comparability" plans and invite public comments on such issues. The Notice, which describes new comparability plans (and similar plans such as "super- integrated" plans) as defined contribution plans that generally restrict higher rates of employer contributions to highly compensated employees, states that the review will focus on the nondiscrimination requirements applicable to these plans. Specifically, the Service and Treasury are concerned that cross-testing (under Code section 401(a)(4)) of new comparability plans permits disparities in nonelective employer contribution rates between highly compensated and nonhighly compensated employees. The agencies, therefore, are considering possible modifications to the existing rules governing these plans. It is anticipated that any such modifications would be applied on a prospective basis only. The Notice requests that comments be submitted by May 15, 2000. A copy of Notice 2000-14 is attached. Thomas T. Kim Assistant Counsel Attachment