

**MEMO# 11451**

December 6, 1999

## **DOL PROPOSES EXTENDING PROHIBITED TRANSACTION EXEMPTION FOR Y2K-RELATED LOANS TO PLANS**

[11451] December 6, 1999 TO: PENSION MEMBERS No. 44-99 PENSION OPERATIONS  
ADVISORY COMMITTEE No. 55-99 RE: DOL PROPOSES EXTENDING PROHIBITED  
TRANSACTION EXEMPTION FOR Y2K-RELATED LOANS TO PLANS

\_\_\_\_\_ The Department of Labor has proposed amending PTE 80-26 to permit the extension of interest free loans to address potential Y2K problems. PTE 80-26 is a class exemption that permits the lending of money or other extensions of credit from a party in interest or disqualified person to an employee benefit plan and the repayment of the loan or extension of credit, provided that conditions specified in the exemption are met. The extension of PTE 80-26 is intended to enable plans to address any potential liquidity problems that might be created by Y2K so that plan officials can assure themselves that sufficient liquidity is available to pay benefits and administer the plan. In the event of a possible disruptions to ordinary plan operations related to the payment of benefits, the Department notes that relief for an interest free loan or extension of credit would already be available under PTE 80-26. However, plans may also need interest free loans to address potential Y2K problems that are only incidental to the ordinary operation of the plan. Specifically, the three day limit on loans for such purposes under the current exemption may not be sufficient to address Y2K issues. Accordingly, beginning November 1, 1999 and ending December 31, 2000, the proposed amendment to the exemption would permit interest free loans for an extended period of no more than fourteen months. All loans made pursuant to this amendment must be repaid by December 31, 2000. Written comments regarding the proposed exemption can be submitted to the Department on or before January 13, 2000. Russell G. Galer Senior Counsel Attachment Note: Not all recipients receive the attachment. To obtain a copy of the attachment referred to in this Memo, please call the ICI Library at (202) 326-8304, and ask for attachment number 11451. ICI Members may retrieve this Memo and its attachment from ICINet (<http://members.ici.org>).