



May 30, 2025

Internal Revenue Service
Attn: CC:PA:01:PR (Notice 2025-19) Room 5203
P.O. Box 7604
Ben Franklin Station
Washington, D.C. 20044

Re: Request for Comments on 2025-2026 Priority Guidance Plan

To Whom It May Concern:

On behalf of the Pension Committee (Committee) of the American Academy of Actuaries,¹ we appreciate the opportunity to provide input on the [Internal Revenue Service's guidance priority list](#). The following attachment contains a list of nine key issue areas within the defined benefit pension plans landscape that the Committee would encourage the IRS to consider and address, categorized by preference/priority. Except as otherwise noted, these priorities highlight opportunities where existing guidance is insufficient and where additional guidance would provide clarity around options available to sponsors of defined benefit plans.

The attachment reflects the key issues awaiting guidance. While not comprehensive, it does offer the Committee's suggestions of the most important needs for 2025-2026. The issues are listed in order of urgency within topic area, such as closed plan guidance, SECURE 2.0 cash balance guidance, and funding method changes.

Thank you for the opportunity to provide this feedback. If you have any questions or would like to discuss these comments further, please contact Janae Nelson, the Academy's policy project manager, retirement (nelson@actuary.org).

Sincerely,

Grace Lattyak, MAAA, EA, FCA, FSA
Chairperson, Pension Committee

¹ The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

Closed Plan Nondiscrimination Testing Guidance (High priority)

1. Clarify whether entire plan must be closed to qualify for relief.
 - a. Which plans qualify for relief.
 - b. Which plans are considered closed for purposes of Sections 410(b), 401(a)(4), and 401(a)(26) relief, etc.
 - c. What is considered a discriminatory amendment modifying the closed participant group?
 - d. If the plan is closed to non-bargained employees and open to bargained employees does relief apply because of mandatory disaggregation of the bargained group?

SECURE 2.0 Cash Balance Guidance

1. Clarify the scope of anti-cutback relief relating to changes in the interest credit rate for cash balance plans, as described in Q&As H1-H5 of IRS Notice 2024-2.
 - a. Whether interest-crediting basis could be changed for all participants that have cash balance account accruals if only some of the actives are currently receiving pay credits.
 - b. Whether plans receiving the relief would lose it if the plans were frozen within a certain period of time.
 - c. Whether a schedule of rates is considered “graded” by age or service if the ultimate pay credit rate is higher than the initial pay credit rate by a factor of 1/3 (or less).
2. Address the requirement when testing backloading to use a reasonable projection of future interest crediting rates.
 - a. Whether the pay credit schedule may be tested for compliance with the Code Section 411(b) anti-backloading requirements only at the time of adoption, or whether changes in the economic environment could lead to the requirement for plans to update their pay crediting rate schedule due to a decrease in the projected future interest crediting rates.

Related Cash Balance Plan Topics

1. Clarify the circumstances under which a participant can select the underlying pool of investments used to determine the interest credit rate. There are several approaches that may avoid many of the concerns described in the preamble to the hybrid plan regulations.
2. Clarify the extent to which annuity options in cash balance plans may be encouraged by the use of subsidies in the conversion of account balances to annuity forms of payment.
3. Adopt a consistent approach for actuarially increasing cash balance benefits after normal retirement age, preferably to deem the actuarial increase requirement to be met as long as the underlying cash balance account grows with the plan’s interest crediting rate either in general or as long as the rate meets certain minimum requirements.

Funding Method Changes

1. Make more automatic approvals available.
2. Clarify and expand the number of situations where there is no change in funding method that requires formal IRS approval.
3. Permit flexibility in evaluating whether a spinoff results in a funding method change requiring IRS approval.
 - a. Defining what qualifies as a spinoff.

- b. Differentiating between a change in funding method and conforming with a defined method to carry out a spinoff.

415 Limits

Extend SECURE 2.0 accrual rule changes to Section 415.

Section 420 Transfers

Clarify that extended cost maintenance period applies only to plans that are less than 125% funded after the transfer, even if the amount transferred is less than 1.75% of assets.

IRC Section 431(b)(7)(G) Amortization of Increased Past Service Liability

In the case of a plan that received special financial assistance that is required to adopt an amendment to reinstate suspended benefits, clarify whether the increase in unfunded past service liability related to retroactive reinstatement of suspended benefits should be amortized over 1 or 5 years, depending on the election of the sponsor as to the period of restoration, rather than over the standard 15-year amortization period.

IRC Section 414(m) Affiliated Service Groups

1. Review proposed regulations issued in the 1980s to determine if these proposals are still valid and how they may need to be updated/revised.
2. Issue proposed regulations concerning Management Function Affiliated Service Groups (§ 414(m)(5)).
3. Evaluate the need for regulations concerning structures that either did not exist or were very rare in the 1980s (e.g., surgical centers owned by multiple otherwise unaffiliated medical practices). If regulations cannot address these situations, indicate the inability to do so without legislative changes.
4. Provide safe harbors and/or guidance to allow plan sponsors to develop definitive ASG determinations on their own in most situations, since IRS no longer offers this service.

Expansion of Employee Plans Compliance Resolution System under SECURE 2.0, Section 305

Release revision of Revenue Procedure 2021-30 as called for in the above noted section of SECURE 2.0.