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AALU Bulletin No: 10-80

August 10, 2010

Subject: **Election of Alternative Amortization Schedule under the Pension Relief Act of 2010**

Major References: [*I.R.S. Notice 2010-55, 2010-33 IRB*](#)

Prior AALU Washington Reports: 10-64, 10-52, 10-28

MDRT Information Retrieval Index Nos.: 5400.02

**SEE THE CIRCULAR 230 DISCLAIMERS APPENDED TO
THE CONCLUSION OF THIS WASHINGTON REPORT.**

In general, the plan sponsor of a defined benefit plan may elect to use an alternative amortization schedule for funding shortfalls occurring in plan years that begin in 2008, 2009, 2010 or 2011, provided the deadline for the minimum required contribution to the plan for that year is on or after June 25, 2010. The Internal Revenue Service has issued guidance providing that, in the case of a plan year that ends before the IRS issues further guidance, a plan sponsor may elect an alternative amortization schedule without regard to whether the Form 5500 has been filed for the year in question.

In Notice 2010-55, the IRS announced its intention to issue future guidance for single employer plans on the elections available under the special funding rules set forth in the Preservation of Access to Care for Medicare Beneficiaries and Pension Relief Act of 2010 ("PRA 2010"), which was addressed in our Bulletin 10-64. (See also our Bulletins Nos. 10-52 and 10-28.) The guidance is expected to address the following:

- calculation of the alternative amortization schedules permitted under PRA 2010, along with the effect on funding balances;

- the rules relating to installment acceleration amounts resulting from excess employee compensation and/or extraordinary dividends and redemptions;
- the procedures for making an election to use an alternative amortization schedule; and
- the notice requirements relating to the plan sponsor's election.

The Revenue Service is aware of the confusion that may exist for plan sponsors wanting to take advantage of this election without any substantive guidance available regarding the election and how that election could affect what is reported on the Form 5500 and the Schedule SB. As a result, in Notice 2010-55, the IRS states that plan sponsors may elect to use an alternative amortization schedule for a plan year even if the Form 5500 and Schedule SB has been filed for that plan year. The IRS further instructs electing plan sponsors to file the Form 5500, along with the Schedule SB, in accordance with required deadlines. Future guidance will address reporting requirements relating to an electing plan's previously filed Forms 5500 for plan years relating to the election.

As stated above, the elections considered in Notice 2010-55 are those available only to single-employer plans; however, similar guidance addressing multiemployer plans is provided in Notice 2010-56.

Any AALU member who wishes to obtain a copy of Notice 2010-55 may do so through the following means: (1) use hyperlink above next to "Major References," (2) log onto the AALU website at www.aalu.org and enter the *Member Portal* with your last name and birth date and select *Current Washington Report* for linkage to source material or (3) email Anthony Raglani at raglani@aalu.org and include a reference to this *Washington Report*.

In order to comply with requirements imposed by the IRS which may apply to the *Washington Report* as distributed or as re-circulated by our members, please be advised of the following:

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In the event that this *Washington Report* is also considered to be a "marketed opinion" within the meaning of the IRS guidance, then, as required by the IRS, please be further advised of the following:

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