June 19, 2014

Mr. Michael J. Sanders  
Acting Director, EP Rulings and Agreements  
Internal Revenue Service  
1750 Pennsylvania Avenue NW  
Washington, DC 20006-4508


Dear Mr. Sanders:

The American Society of Pension Professionals & Actuaries (“ASPPA”) and the ASPPA College of Pension Actuaries (“ACOPA”) are writing to provide input on options for defining benefits that should be available under the new cash balance volume submitter program in order for the program to be successful.

ASPPA is a national organization of more than 16,000 retirement plan professionals who provide consulting and administrative services for qualified retirement plans covering millions of American workers. ASPPA members are retirement professionals of all disciplines including consultants, administrators, actuaries, accountants, and attorneys. ASPPA is particularly focused on the issues faced by small- to medium-sized employers. ASPPA’s membership is diverse but united by a common dedication to the employer-based retirement plan system. All credentialed actuarial members of ASPPA are members of ACOPA, which has primary responsibility for the content of comment letters that involve actuarial issues.

Summary

ASPPA and ACOPA recommend that the flexibility contained in traditional defined benefit volume submitter plans should also be available in cash balance volume submitter documents. This flexibility pertains to definitions of classes, formulas based on percentage of compensation or flat dollar credit per year of service and the lesser of these or net self-employment income. Our recommendations are described in greater detail in the Discussion section that follows.
Discussion

*ASPPA and ACOPA recommend* that the following be incorporated in the cash balance volume submitter program:

I. **Classes for Formula Definitions**
The flexibility available for defining classes for traditional defined benefit volume submitter plans should also be available for cash balance volume submitter documents. For each class defined, a corresponding pay and interest credit definition should be provided. In other words, both the pay credit and interest credit could vary for each class.

II. **Pay Credits**
For each class, volume submitter documents should allow determination of pay credits based on a percentage of compensation, a flat dollar credit per year of service and the lesser of these or net self-employment income. There should also be the option to base pay credits on the present value of an annual accrual times the APR of the annuity deferred to Normal Retirement Age. Alternatives for determining timing of the credit during the year should also be available, including beginning of the year, end of the year, or periodically throughout the year.

III. **Interest Credits**
A broad range of interest rate options should be available, including but not limited to a fixed rate or a variable rate based on an equity or bond index and the plan’s actual rate of return. There should also be an option to subject the designated rate to a cap or floor. As with the pay credits, alternatives for determining timing of the credit during the year should be available, including beginning of the year, end of the year, or periodically throughout the year. Documents should also provide an option with regard to applying the interest credit to distributions occurring between interest crediting dates.

IV. **Top Heavy**
The document should permit any necessary Top Heavy accruals to be provided through a companion defined contribution plan and only as necessary to meet Top Heavy accruals in a non-frozen cash balance formula defined benefit plan.

V. **Actuarial Equivalence**
In addition to traditional definitions of actuarial equivalence, an option should be available to match the pre-retirement interest rate to the formula definition for interest credits.

VI. **Conversions**
Although most smaller cash balance plans have not been converted from traditional plans, allowing converted plans to be part of the volume submitter program could smooth the path for future conversions. If the volume submitter document is available to cash balance plans that were converted from traditional defined benefit plans, in addition to
the A+B option, ASPPA and ACOPA recommend that an alternative be available to set the accrued benefit attributable to pre-conversion service equal to the greater of:

- the accrued benefit at the time of conversion and
- the benefit provided by the hypothetical account balance with the opening balance no less than the single sum value of the accrued benefit using 417(e) interest and mortality or plan actuarial equivalence, whichever provides the greater opening balance.

These comments were prepared by ASPPA’s Defined Benefit Subcommittee of the Government Affairs Committee and the ASPPA College of Pension Actuaries. Please contact Judy A. Miller, MSPA, ACOPA Executive Director, at (703) 516-9300 if you have any comments or questions on the matters discussed above.

Thank you for your time and consideration.

Sincerely,

/s/ Brian H. Graff, Esq., APM
Executive Director/CEO

/s/ Judy A. Miller, MSPA
ACOPA Executive Director

/s/ Craig P. Hoffman, Esq., APM
General Counsel

/s/ John R. Markley, FSPA, Co-Chair
Gov’t Affairs Committee

/s/ Ilene H. Ferenczy, Esq., APM, Co-Chair
Gov’t Affairs Committee

/s/ Robert M. Kaplan, CPC, QPA, Co-Chair
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cc:

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