



# NewsFlash<sup>SM</sup>

*Prepared by Human Resources & Investor Solutions*

## **IRS DELAYS EFFECTIVE DATE OF RELATIVE VALUE REGULATIONS**

After much anticipation, the IRS released Announcement 2004-58 which delays the general effective date of the Section 417 relative value regulations to February 1, 2006. The original October 1, 2004 effective date would have required many plans to provide disclosures of the relative values of optional forms of benefit to be issued by July 1, 2004 (due to the 30–90 day advance notification requirement). For a discussion of the regulations, see our March 2, 2004 *For Your Information* [http://www.mellon.com/hris/pdf/fyi\\_03\\_02\\_04.pdf](http://www.mellon.com/hris/pdf/fyi_03_02_04.pdf). The relative value regulations will apply to qualified joint and survivor (QJSA) explanations relating to certain optional forms of benefit with annuity starting dates beginning on or after February 1, 2006. The original effective date, however, still applies to lump sums or other optional forms subject to Section 417(e)(3) that are less valuable than the QJSA.

### **REASONS FOR DELAY**

The IRS agreed to this delay to allow plan sponsors sufficient time to evaluate all of their optional forms, prepare adequate explanations for their employees, and coordinate this requirement with forthcoming final Section 411(d)(6) regulations that will permit the elimination of certain optional forms of benefit.

### **REASONABLE ESTIMATES**

The announcement clarifies that under the generalized notice method for providing explanations of the relative value of optional forms of benefit, reasonable estimates may be used in determining a participant's accrued benefit. Also, in providing comparative benefit information under the generalized notice, a plan is permitted to use participant-specific data.

### **QJSA AS MOST VALUABLE OPTION**

Regulations require that a QJSA be the most valuable optional form under a plan. However, the use of the required mortality table and interest rate prescribed in Section 417(e)(3) often causes lump sum options to be more valuable than a QJSA. The announcement indicates that forthcoming regulations will retroactively provide that a plan will not fail to satisfy Section 417 merely because the application of Section 417(e)(3) causes an optional form to be more valuable than the QJSA.