

IRS Issues Guidance on Airline Alternative Funding Schedule

The IRS has just issued [Announcement 2006-70](#), which provides procedures for eligible commercial airlines (or businesses providing catering services to commercial airlines) to elect the alternative funding schedule provided under the recently enacted Pension Protection Act of 2006 (PPA).

Background

Section 402(a)(1) of PPA permits a defined benefit plan of a commercial airline (or a company whose principal business is providing catering services to a commercial airline) to elect to amortize its unfunded liabilities (determined using specified assumptions and methods) over a 17-year period. There are certain conditions that must be met for a plan to make this election, including freezing benefit accruals.

Announcement 2006-70

According to IRS Announcement 2006-70, eligible airline plans may elect the PPA alternative funding schedule for the 2006 or 2007 plan year. The election must be made by December 31 of the year to which it first applies. The election once made remains in effect for all future years – IRS approval is necessary to revoke an election. A plan sponsor may change its plan year without IRS approval when electing the alternative funding schedule.

The announcement outlines the information that must be included in an election and provides the IRS address to which such election should be forwarded. It should be noted that the election form must be signed by an officer of the employer sponsoring the plan – it cannot be signed by a plan administrator, enrolled actuary or authorized representative.

This NewsFlash is intended to provide general information. It does not offer legal advice or purport to treat all the issues surrounding any one topic.