

IRS Delays Effective Date of Final Relative Value Regulations

In December 2003, the IRS published [final rules](#) regarding the qualified preretirement survivor annuity (QPSA) and qualified joint and survivor annuity (QJSA) notice and disclosure requirements. These rules apply to defined benefit plans, money purchase pension plans, and other defined contribution plans that are subject to the spousal consent rules. They do not apply to governmental plans and non-electing church plans. The final rules contain specific requirements for disclosing the relative values of all available forms of payment and were scheduled to take effect for both QPSA and QJSA notices provided to participants on and after July 1, 2004.

On July 1, 2004, the IRS delayed the effective date of the QJSA portion of these regulations. In many situations, the final rules now apply to QJSA notices provided for distributions with annuity starting dates of February 1, 2006, or later (i.e., QJSA notices provided after November 2, 2005, since QJSA notices may be provided no more than 90 days before the annuity starting date). The revised disclosure rules still apply to QPSA notices provided on and after July 1, 2004.

Defined Contribution Plans

The delayed effective date of the QJSA relative value rules applies to all defined contribution plans that are subject to spousal consent requirements. These plans can continue to provide their existing QJSA notices until November 2005. However, QPSA notices must comply with the new rules effective July 1, 2004.

The QPSA information provided in Beneficiary Designation Forms contained in our defined contribution Enrollment Guides and Transition Guides already complies with the final regulations. We are currently in the process of updating the QJSA notices that we provide to plan participants, and anticipate that these updates will be completed before the November 2005 deadline. In the meantime, we will continue to provide the existing QJSA forms and notices.

Defined Benefit Plans

The delayed effective date of the QJSA relative value rules also applies to defined benefit plans, *with the exception of* those plans that provide any of the following forms of benefit payment, if the value of any of those payment forms is less than the value of the QJSA:

- Single sum payment options;
- Installment payments, such as some years certain only (not years certain and life) options;
- Other decreasing annuities, including certain level income annuity options.

Plans that are not eligible for the delayed effective date must comply with the final relative value rules for QJSA notices provided for annuity starting dates of October 1, 2004, and later.

All defined benefit plans must comply with the revised QPSA notice rules effective July 1, 2004.

For defined benefit plans that have outsourced their administration services to us, we will provide QJSA notices to participants in accordance with the final rules if the plan is not able to take advantage of the delayed effective date. For all other plans, we will provide updated QJSA notices, containing relative value information, no later than November 2005. Until then, we will continue to provide existing QJSA notice information to participants in those plans.

For defined benefit plans that do not use our outsourcing services but do use our benefit calculation services, we will provide relative value information, as applicable. For plans that may take advantage of the delayed effective date, we will provide relative value information no later than November 2005. Plan sponsors should discuss modifications to their communication packages and procedures with their ERISA counsel.

Other Clarifying Guidance for Defined Benefit Plans

Relative value information may be provided to a participant based on participant-specific data or in the form of a generalized notice. The IRS has also clarified that if a plan provides a generalized notice, it may use reasonable data estimates, rather than actual participant data, to determine the benefit amount payable to the participant under the normal form of payment, as long as the other requirements of the generalized notice are met.

In addition, the IRS will be issuing regulations allowing the value of certain optional forms of payment to exceed the value of the QJSA. Generally, the QJSA must be as valuable as any other optional form of payments offered by a plan. The new rules will clarify that it is permissible for the value of an optional form of payment that must use "417(e)(3)" actuarial assumptions (such as single sum payments) to exceed the value of the QJSA due to the use of those assumptions.

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