

Publications

Groom Comments on Controversial Age Discrimination/Cash Balance Proposed Regulations

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SERVICES

On March 13, 2003, we filed comments with the Department of Treasury on the recently proposed regulations regarding the operation of the age discrimination prohibitions for pension plans, which include special rules for cash balance plans.

The proposed regulations are the first substantive guidance issued by the Treasury on cash balance plan issues since 1996. While the proposed rules conclude that cash balance plans are not inherently age discriminatory, the rules would greatly limit the options available to plan sponsors who wish to implement a cash balance or other hybrid-plan design. In particular, the rules would have the unfortunate and surprising effect of limiting the use of special features designed to ease the transition to cash balance for older employees. Our comments emphasize that nothing in the age discrimination rules calls for such unfavorable results and that it is reasonable to interpret the rules to permit these common practices.

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