

Special Edition  
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Attachment #

5

Page

1

of

5

# employee plans news

PROTECTING RETIREMENT BENEFITS THROUGH EDUCATING CUSTOMERS

Internal Revenue Service  
Tax Exempt and Government  
Entities Division

A Publication of Employee Plans

## Governmental Plans Roundtable Discussion

On April 22, 2008, the IRS hosted a governmental plans roundtable as part of an initiative to better serve the governmental plan sector of the EP customer base by raising awareness of the need to comply with tax qualification requirements.

Steven Miller, Commissioner, Tax Exempt and Government Entities indicated that governmental plans have not received the same attention that other plans have received by the IRS and that the IRS has not had a "meaningful presence" in the governmental plan area. Miller pointed out that one out of five employees in the United States is a government employee and that governmental plans hold \$3.5 trillion in funded pension plan assets. He also noted that recent reports have focused on the economic stresses facing governmental entities. He stated that IRS wants to create a climate for success by helping these plans to satisfy the necessary requirements through education, compliance, and enforcement.

The roundtable was the first step in establishing a dialogue between the IRS and the governmental plans community in an effort to ensure that governmental entities understand the tax qualification requirements applicable to their plans and are aware of the tools and resources available to assist them in ensuring ongoing compliance. IRS representatives acknowledged that there is very little history examining governmental plans. They want to better understand the issues and barriers these plans face in attempting to satisfy tax qualification requirements. Andrew Zuckerman, Director, EP Rulings and Agreements, explained that failure to satisfy these requirements could result in plan disqualification and adverse tax consequences for plan participants.

The governmental plans community was represented by interested parties (including compliance officers) from various state retirement systems, representative associations and governmental plans consultants, including counsel, actuaries, and administrators.

IRS sessions covered a variety of topics, including:

- The benefits to governmental plans of applying for a determination letter. Under the staggered determination letter process, governmental plans may come in during Cycle C, which opened February 1, 2008, and remains open until January 31, 2009. Although plans are not required to apply for a determination letter, IRS speakers explained that receiving a letter assures the plan sponsor that the form of the plan satisfies the tax qualification requirements, and that if the plan operates in accordance with the terms of the plan as approved, it may rely on the determination letter. Additionally, if the IRS requests amendments as part of the review of the determination letter application, the plan sponsor has an extended period of time in which to make such amendments. Also, receipt of a determination letter may be required to use portions of the IRS voluntary compliance program.

- An overview of the IRS voluntary correction program, in which a plan sponsor who discovers errors can either self-correct them (in certain circumstances) without involving the IRS, or if that is not available, may voluntarily come to the IRS, pay a limited fee, correct the error and retain the plan's qualified status.
- The Office of Chief Counsel reviewed some of the technical requirements that are applicable to governmental plans.

Representatives from EP Examinations included Monika Templeman, Director, EP Examinations, and the EP Compliance Unit (EPCU), who explained that EPCU intends to send a survey questionnaire to a small sample of governmental plans in an initial effort to obtain information about the current status of governmental plans. She assured the audience that responding to the survey would not result in an examination, but if issues were identified, the taxpayer would be directed to an IRS web site with information needed to achieve compliance. If the survey questionnaire is not returned, EP Examinations will conduct compliance activity, which could eventually result in an examination of the taxpayer.

Throughout the day, members of the governmental plans community actively participated in the discussion raising concerns, asking questions, and offering suggestions.

The day's last session was a panel of representatives from the governmental plans community. A number of concerns were raised including the following:

- A plan may not have filed for a determination letter in a very long time, maybe as long as 40 to 50 years, and the plan is concerned about the consequences if the IRS finds a problem with the plan.
- Uncertainty as to what documentation a plan sponsor should submit to the IRS when requesting a determination letter where the plan document may be made up of a number of statutory provisions, ordinances, etc.
- During the determination letter process, IRS may require amendments to the plan. The state or local legislative body that adopts the amendments may only meet a limited number of times during a year (or may not even meet on an annual basis). The time to adopt the IRS required amendments may not be sufficient for governmental plans.
- States are subject to Freedom of Information Act laws, which may force the government entity to disclose information submitted to the IRS that could be misrepresented or misunderstood by plan participants or the public.
- Potential conflicts between state constitutional protections for certain public sector retirement benefits and federal tax law may arise.

IRS officials encouraged the governmental plans community to continue to raise these issues and indicated that they would be willing to work with them in achieving and maintaining compliance with tax qualification requirements.

This is just the beginning; IRS invites members of the governmental plans community to join in the conversation. We will continue the dialogue in a number of ways. For example, on the new Governmental Plans web page, members of the governmental plans community can submit questions, comments, and suggestions to the IRS and the most frequently asked questions (FAQs) will be posted. We will also be considering other venues to reach the governmental plans community and invite them to become part of the solution.

Check out the roundtable presentations at [Governmental Plans web page](#). Employee Plans is committed to continuing the dialogue with the governmental plan community. Give us your questions, comments and suggestions at [governmentalplansdialogue@irs.gov](mailto:governmentalplansdialogue@irs.gov).

Please share this Special Edition with your colleagues. To subscribe to our newsletter, please go to [www.irs.gov/ep](http://www.irs.gov/ep). All editions of the *Employee Plans News* are archived there.

**Internal Revenue Service**

**Department of the Treasury**

Date:

Questionnaire Identification Number:

Name of Plan:

Person to Contact:

Craig Chomyok

Contact Telephone Number:

(312) 566-3805

Return Reply to:

Internal Revenue Service

Manager, EPCU - 7602

230 S. Dearborn; Room 1700

Chicago, IL 60604

Dear Sir or Madam:

This letter is associated with a governmental retirement plan project. This letter is not an audit or investigation under section 7605(b) of the Internal Revenue Code or an audit under section 530 of the Revenue Act of 1978. We are asking that certain governmental retirement plans answer questions contained in the enclosed questionnaire.

Employee Plans, Internal Revenue Service has launched a Governmental Plans Initiative, consisting of education, outreach, guidance and compliance. The goal of the Initiative is to provide governmental plans with tools, assistance and programs to help plans comply with federal pension law. The Initiative will also provide the Internal Revenue Service with valuable information regarding how governmental plans comply with the Internal Revenue Code. The IRS has established a governmental retirement plan webpage that offers guidance, tools, educational materials, news and other resources regarding our efforts to date. The first step in the compliance phase of the Governmental Plans Initiative is the mailing of this questionnaire, which is a tool for the IRS to gather information from the governmental plan community so we can understand your issues and concerns.

You have been selected as one of a pilot group of governmental plans to receive the questionnaire. Your responses and your feedback will be used to determine whether the questionnaire will be revised before being sent to a larger group of governmental plans, and to provide valuable information regarding governmental plans.

The questionnaire is not an audit or enforcement action. You may refuse to participate in this pilot without penalty. However, you will be contacted if you choose not to participate in the pilot. Pilot data will not be used to select anyone for examination.

Please provide responses to the questions in the enclosed questionnaire. You may supplement any response with clarifying material that you believe will be helpful for us to review.

**Overview of Questionnaire**

The Questionnaire consists of nine parts with a total of 65 questions.

**Introduction** - Provides an overview of the purpose and history of the IRS Governmental Plans Initiative, the role of the IRS in the oversight of governmental plans, highlights of the questionnaire, and next steps.

**Part 1: Demographic Information** - General information about the types of tax-qualified retirement plans adopted for governmental employees as well as plan population characteristics.

**Part 2: Plan Document Information** - Information on the form of the plan document used to administer the plan and whether the plan has ever requested a determination letter or used any of the IRS compliance programs available to tax-qualified retirement plans.

**Part 3: Plan Provisions** - Information concerning common types of pension plan provisions.

**Part 4: Plan Operation** - Information concerning the satisfaction of the statutory and regulatory requirements that apply to governmental plans that intend to be qualified under Internal Revenue Code section 401(a).

**Part 5: Plan Communications** - Information concerning how participants learn about their retirement benefits and what information is provided to them concerning those benefits.

**Part 6: Plan Administration** - Information about the administration of the plan and the internal controls and procedures used by the plan.

**Part 7: General Questions.**

**Part 8: Retirement Systems.**

**Part 9: Feedback.**

**Return the completed questionnaire within 90 days** from the date of this letter to the above referenced address, or e-mail the information to [epcu@irs.gov](mailto:epcu@irs.gov). This package contains both an electronic (CD) copy and a paper copy of the questionnaire. To assist us with efficiently evaluating this information, we would prefer you return the electronic copy of the questionnaire; however, you may submit a paper copy to the address listed above.

Whether you use the CD or the paper version, be sure that your response contains the name of the contact person and their contact information at the end of the questionnaire.

### Instructions for Completing the Questionnaire Using the CD

The CD contains two files:

- The EPCU Governmental Plans Questionnaire (filename 14035 Pilot Questionnaire) in an Adobe PDF formatted file, and
- A copy of Revenue Procedure 2008-50 describing the Employee Plans Compliance Resolution System (EPCRS).

Go to [www.adobe.com/products/acrobat/readstep2.html](http://www.adobe.com/products/acrobat/readstep2.html) if you need the latest version of Adobe Reader.

To answer the questionnaire using the CD, do the following:

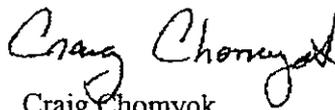
1. Insert the CD into your computer's CD ROM drive.
2. Double-click on the My Computer Icon on the desktop screen of your computer.
3. Double-click on the CD Drive (usually the D: or E: drive).
4. Double-click on the file named - "Form 14035 Pilot Questionnaire.pdf".
5. Complete the questionnaire by answering the items.
6. Requested attachments should be added (copied) to the CD and labeled using the following naming convention: Q - for question, then the actual question number, followed by the plan's EIN (e.g., question 7b asks for a list of entities that participate in the plan. If your EIN is 361234567, the filename should be Q7b361234567). Be sure to also include the file extension in the label (i.e., ".xls" for Microsoft Excel, ".doc" for Microsoft Word).

Saving your work while completing the questionnaire. It is imperative to save your work before closing the questionnaire or all of your work will be lost. To save, go to the "File" menu and click "Save As." Change the file name and click "Save." This will save the work you have completed to that point. You will be able to open the file at a later time to continue your work. It is also important to frequently save your work while completing the questionnaire.

### Additional Information

For additional information about the Employee Plans Compliance Unit or the Governmental Plans Initiative, you may visit the IRS website [www.irs.gov/ep](http://www.irs.gov/ep). If you have any questions regarding the questionnaire or problems with the operation of the CD, contact me at either the telephone number shown above or at the e-mail address below. I will be glad to answer any questions you have about the Governmental Plans Initiative. Thank you for your cooperation.

Sincerely,



Craig Chomyok  
Manager, EPCU  
[Craig.Chomyok@irs.gov](mailto:Craig.Chomyok@irs.gov)

Enclosure:

CD, paper copy of questionnaire