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Torrillo & Associates

Benefit Plan Audit Specialists

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IRS Permits Defined Benefit Plan Participants to Receive Lump Sum and Annuity under New Rules



As reported in the AICPA Journal of Accountancy, defined benefit plan participants will have greater flexibility in choosing how to receive their pension benefits under final regulations issued by the IRS ([T.D. 9783](#)).

The regulations finalized proposed rules issued in 2012 that permit participants to elect to receive split benefits of monthly annuity payments together with a lump-sum payout without disqualifying the plan. The IRS believes plan participants are better served against the possibility that they will outlive their retirement benefits when they can choose to bifurcate their benefits between the two options.

The rules are designed to enable participants to receive a portion of the plan benefit as a stream of monthly payments while taking the remainder in a single, lump-sum cash payment. The regulations encourage these split options by changing the minimum present value requirements for defined benefit plan distributions to permit plans to simplify the treatment of certain optional forms of benefits that are paid partly in the form of an annuity and partly in a more accelerated form. Defined benefit plans are allowed to apply actuarial assumptions on interest rates and mortality benefits only to the portion of the distribution being paid as a lump sum. The partial annuity portion of the benefit is determined using the plan's regular conversion factors.



See http://www.journalofaccountancy.com/news/2016/sep/defined-benefit-plan-split-distributions-201615151.html?utm_source=mn:cpald&utm_medium=email&utm_campaign=12Sep2016#sthash.Lax0zmLI.dpuf more at:



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Who We Are

Torrillo & Associates, LLC specializes in employee benefit plan audits including 401k audits, 403b audits, pension plan audits, and other retirement plan audits. We are licensed in 10 states including Pennsylvania, New Jersey, Delaware, New York and Florida. We are also able to practice in additional states that have passed firm mobility.

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