



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

OCT 15 2024

COMMISSIONER
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

Release Number: 202502007

Release Date: 1/10/25

Re: Request for automatic extension of amortization periods

Taxpayer =

(EIN: -)

Plan = Oregon Retail Employees' Pension Plan

(EIN: - ; Plan No:)

Dear :

This letter constitutes notice that conditional approval has been granted for a 5-year automatic extension for amortizing certain unfunded liabilities as of January 1, 2023, for the above-named Plan. This conditional approval applies to such unfunded liabilities which are described in sections 431(b)(2)(B) and 431(b)(4) of the Internal Revenue Code ("Code"), and sections 304(b)(2)(B) and 304(b)(4) of the Employee Retirement Income Security Act of 1974 ("ERISA"). This letter further stipulates the conditions that the Taxpayer agreed to on October 2, 2024, as part of this conditional approval.

The ruling was originally requested on October 13, 2023. Upon review of the submission, the Internal Revenue Service ("the Service") discovered that one of the amortization bases that the Taxpayer extended in 2013 was not eligible to be extended. This ineligible base was the "Combined Charges" established on January 1, 1995. Approval for an extension of this base was not granted, and cannot be granted, as this is not an amortization base described in sections 431(b)(2)(B) and 431(b)(4) of the Code as being eligible for extension, pursuant to section 431(d)(1)(A) of the Code. This error was discovered during the assessment of the request by the Service and was not brought to the attention of the Service proactively.

On February 28, 2024, the Service tentatively denied the request and offered a conference of right which was accepted and held with the authorized representatives on March 6, 2024. All arguments were considered, including additional information provided on March 18, 2024.

In a letter dated September 13, 2024, the Service provided notice that the October 13, 2023 request for a 5-year automatic amortization extension was formally denied. However, in the same letter, the Service offered a tentative conditional approval if the Taxpayer agreed to reverse the impact of the error and restore the funding standard account using the method outlined in that letter. Taxpayer agreed to these conditions in a letter dated October 2, 2024.

In developing these conditions, the Service considered that the actuaries who signed the Form 5500 Schedule MBs for the plan years beginning prior to January 1, 2019, are no longer involved in the ongoing actuarial valuations for the Plan.

The conditions for this approval are as follows:

1. For each plan year, beginning with the January 1, 2013 plan year through the plan year ending December 31, 2018, Taxpayer agrees to recalculate¹ the "Combined Charges" amortization base established on January 1, 1995 ("1995 Combined Charges Base") as if the amortization base had not been improperly extended.
2. After correcting the 1995 Combined Charges Base in Condition #1, each subsequent amortization base that was established after January 1, 2013 will be appropriately recalculated. The sum of the outstanding amortization balances² of all individual amortization bases must reconcile to the total outstanding amortization balances (OAB) and the Unfunded Accrued Liability (UAL) previously reported on the Schedule MBs for each respective plan year.
3. For each plan year, beginning with the January 1, 2013 plan year through the plan year ending December 31, 2018, Taxpayer agrees to recalculate each years' funding standard account, including the credit balance. Each plan years' recalculated funding standard account must reconcile with the Form 5500 Schedule MBs that were previously filed for that year.

Based on information provided by the Taxpayer and authorized representatives, we expect a one-time charge to the funding standard account on January 1, 2019 should be made equal to the outstanding balance of the 1995 Combined Charges base of \$ _____ as of that date. The credit balance must accordingly be reduced by \$ _____ as of such date.

The Form 5500 Schedule MBs for the plan years beginning before January 1, 2019 are not required to be refiled.

¹ Both the size of the outstanding amortization base and amortization charge.

² Known also as the Outstanding Amortization Base or "OAB".

4. Taxpayer agrees to amend and refile all the Form 5500 Schedule MBs for the plan years beginning on or after January 1, 2019 to reflect the adjustments noted in Conditions #1-3 above.

The amended Form 5500 Schedule MBs should include an attachment reconciling the funding standard account, year by year, to the funding standard account included on the previously filed Form 5500 Schedule MBs.

Taxpayer agrees to refile the amended Form 5500 Schedule MBs within 180 days of the date of the IRS letter granting final approval for the amortization extension.

5. Taxpayer's actuary signs an amended certification stating that:
- (i) absent the extension under section 431(a)(1)(A) of the Code, the Plan would have an accumulated funding deficiency in the current plan year or any of the 9 succeeding plan years,
 - (ii) the Plan Sponsor has adopted a plan to improve the Plan's funding status,
 - (iii) the Plan is projected to have sufficient assets to timely pay expected benefits and anticipated expenditures over the amortization period as extended, and
 - (iv) the notice required under section 431(d)(3)(A) has been provided, in accordance with section 3.05 of Rev. Proc. 2010-52.

Conditional approval to extend the following bases has been granted. This extension is effective with the plan year beginning January 1, 2023 and applies to the eligible amortization charge bases as shown below. This approval will extend the amortization period of each amortization charge base shown below for 5 years.

Amortization Type	Date Established	Outstanding Balance as of 1/1/2023³	Years Remaining	Requested Extension (in years)
Assumption Change				5
Assumption Change				5
Actuarial Loss				5
Actuarial Loss				5
Experience Loss				5
Experience Loss				5
Assumption Change				5
Experience Loss				5

³ The outstanding amortization base for each individual amortization base is required to be appropriately redetermined to reverse the effects of the improperly extended 1995 "Combined Charges" base. The corrected values (magnitude) of the bases the Taxpayer requested to be extended on October 13, 2023 are not known.

The extension of the amortization periods of the unfunded liabilities of the Plan is granted in accordance with section 431(d)(1) of the Code. Section 431(d)(1)(A) of the Code requires the Secretary to extend the period of time required to amortize any unfunded liability of a plan for a period of time (not in excess of 5 years) if the plan submits an application meeting the criteria stated in section 431(d)(1)(B) of the Code.

In granting this ruling, it is expected that:

- (i) the Plan's assumptions and methods will be reviewed and updated as appropriate so that each prescribed assumption is applied in accordance with applicable law and regulations,
- (ii) each other assumption is reasonable (taking into account the experience of the Plan and reasonable expectations) and such other assumptions, in combination, offer the best estimate of anticipated experience under the Plan, and
- (iii) the plan sponsor obtained the appropriate approvals for any changes in assumptions or funding methods (whether through an individual private letter ruling or by qualifying for automatic approvals available in the Code, Treasury Regulations, or other generally applicable guidance).

Furthermore, we are not expressing any opinion as to the accuracy of any material submitted with your request.

Your attention is called to section 412(c)(7) of the Code and section 302(c)(7) of ERISA which describe the consequences that would result in the event the Plan is amended to increase benefits, change the rate in the accrual of benefits, or to change the rate of vesting while the amortization extension remains in place. Please note that any amendment that increases liabilities for a profit sharing plan or any other retirement plans (whether qualified or unqualified) maintained by the Trustees of the Plan and covering participants of the Plan to which this ruling applies, would be considered an amendment for purposes of section 412(c)(7) of the Code and section 302(c)(7) of ERISA.

This letter ruling may be revoked or modified retroactively if there was a misstatement or omission of controlling facts, the facts at the time of the transaction are materially different from the controlling facts on which the letter ruling was based, or the transaction involves a continuing action or series of actions and the controlling facts change during the course of the transaction.

Pursuant to a power of attorney on file with this office, a copy of this letter ruling is being sent to your authorized representatives. We have sent a copy of this letter to the Manager, Classification Group 4 in Houston, Texas.

This ruling is directed only to the taxpayer that requested it. Section 6110(k)(3) of the Code provides that it may not be used or cited by others as precedent.

If you require further assistance concerning this matter, please contact
(ID#) at () - or
(ID#) at () - .

Sincerely yours,

David M. Ziegler, Manager
Employee Plans Actuarial Group 2

Enclosures

Notice 437 – Notice of Intention to Disclose
Copy of the letter ruling with proposed deletions

cc: