



ASSISTANT SECRETARY

DEPARTMENT OF THE TREASURY  
WASHINGTON

SEP 24 2007

The Honorable Michael B. Enzi  
Ranking Member  
Senate Committee on Health, Education, Labor and Pensions  
United States Senate  
Washington, DC 20510

Dear Senator Enzi:

Thank you for your letter of August 29, 2007, to Secretary Paulson regarding benefit formulas in retirement plans that have been converted from traditional defined benefit plans to cash balance plans. After consulting with the Office of Tax Policy, I want to provide you with the following response to your letter.

We agree with you that the application of the qualified plan anti-backloading rules to plans that offer a benefit that is the greater of two alternative formulas is a very important issue. In that light, the Treasury Department and the Internal Revenue Service (IRS) are currently considering this issue, with the goal of issuing additional guidance by the end of this year or earlier.

The IRS has informed us that it will not be taking adverse actions during the remainder of this year with respect to this issue on determination letter applications for converted cash balance plans.

Thank you very much for sharing your insights on this important matter.

Sincerely,

Kevin I. Fromer  
Assistant Secretary  
for Legislative Affairs