



TAX EXEMPT AND
GOVERNMENT ENTITIES
DIVISION

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224
JUN 12 2006

T:EP:RA:TY

Attention.

Legend

Agency A =

Employer B =

Employer C =

State N =

Affected participants =

Transferor Plans

Plan W =

Plan X =

Transferee Plan

Plan Y =

This is in response to a request dated _____ as supplemented by
correspondence dated _____ and _____ in which your
authorized representative requested letter rulings with respect to certain tax consequences
concerning the proper treatment of proposed trustee-to-trustee transfers from the
Transferor Plans to the Transferee Plan. The following facts and representations support
your ruling request.

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Employer B and Employer C are subsidiaries of Agency A, which was created pursuant to a statute of State N.

Retirement benefits for the Affected participants were previously provided under Plan W, a money purchase pension plan, and Plan X, a defined contribution pension plan, both of which are governmental plans as defined in Internal Revenue Code ("Code") section 414(d), qualified under Code section 401(a) and whose trusts are exempt under Code section 501(a). Plan W and Plan X were established pursuant to State N law. Under the terms of amendments, the Affected participants had their existing employer contribution accounts with Plan W and Plan X transferred to the Agency A defined benefit plan. The Agency A defined benefit plan was amended to provide that each Affected participant shall be entitled to a minimum benefit from the plan that is actuarially equivalent to the member's account balance attributable to employer contributions under Plan W and Plan X, respectively, as of the date the assets were transferred. No ruling was requested concerning the tax consequences of the transfer of the employer contributions to the Agency A defined benefit plan.

Plan Y, a defined-contribution thrift plan that includes a Code section 401(k) feature, received a determination letter dated _____ stating that the plan complies with the applicable requirements of the Code, including various statutory provisions (collectively known as "GUST") and Economic Growth and Tax Relief Reconciliation Act of 2001 ("EGGTRA"). Plan W and Plan X have been amended to comply with GUST and EGGTRA but Agency A opted not to request determination letters with respect to said plans.

The assets attributable to employee contributions of the Affected participants and earnings thereon continue to be held in the trusts associated with Plan W and Plan X. However, because retirement benefits for the Affected participants are now provided under the Agency A defined benefit plan, Plan W and Plan X were amended to provide that the Affected participants would no longer be eligible to make employee contributions to these plans.

In order to ease the administrative burden of maintaining multiple plans, some of which no longer permit contributions, Agency A has proposed that the Affected participants' employee contributions accounts that remain in Plan W and Plan X be transferred to another Agency A sponsored plan, namely Plan Y. Affected participants will not be given an option regarding the plan to which the transfers will be made. Additionally, Affected participants will not be given the right to receive cash in lieu of having plan assets transferred to Plan Y. The asset transfers will provide more investment options for the Affected participants as the transferee plan, Plan Y, offers a broader selection of investment alternatives to its participants. The transferee plan, Plan Y, is a governmental plan as defined in Code section 414(d), is qualified under Code section 401(a), and has an associated trust that is exempt under Code section 501(a).

It is represented that the accounts of the Affected participants in Plans W and X are 100 percent vested, and a proposed amendment to Plan Y provides that the amounts transferred will be 100 percent vested at all times. The transferred accounts of the Affected participants will be subject to the distribution provisions of Plan Y.

A proposed amendment dated November 2, 2005, permits Plan Y to receive direct trustee-to-trustee transfers from Plan W and Plan X.

As amended by letter dated _____ Agency A requests the following rulings:

1. That the transfer of assets from the Affected participants' employee contribution accounts of Plan W to the Transferee Plan, Plan Y, as described above, will not result in income to the Affected participants under Code section 402(a); and
2. That the transfer of assets from the Affected participants' employee contribution accounts of Plan X to the Transferee Plan, Plan Y, as described above, will not result in income to the Affected participants under Code section 402(a).

With respect to your ruling requests, section 402(a) of the Code provides, in relevant part, that any amount actually distributed to any distributee by a qualified trust shall be taxable to the distributee, in the taxable year of the distributee in which distributed, under section 72.

Revenue Ruling 67-213, 1967-2 C.B. 149, holds that where the interests of participants are transferred from a trust forming part of one qualified plan to a trust forming part of another qualified plan, where no amounts are either distributed or made available to affected participants by reason of said transfer, such transfer of the participants' interests will not result in a distribution of the transferred interests. As a result, said transfer does not result in taxable income to the affected participants.

In this case, the employee contributions of the Affected participants in the Transferor Plans (Plan W and Plan X) will be transferred in trustee-to-trustee transfers directly to Plan Y. The Affected Participants will not receive the assets and will not be in possession of the assets at any time. All of the Plans are government plans described in section 414(d), are qualified under Code section 401(a) and have trusts that are exempt under section 501(a).

Accordingly, with respect to your ruling requests, we conclude as follows:

1. That the transfer of assets from the Affected participants' employee contribution accounts of Plan W to the Transferee Plan, Plan Y, as described above, will not result in income to the Affected Participants under Code section 402(a); and
2. That the transfer of assets from the Affected participants' employee contribution accounts of Plan X to the Transferee Plan, Plan Y, as described above, will not result in income to the Affected participants under Code section 402(a).

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This letter is issued on the representation that the plans are qualified under Code sections 401(a), and that their related trusts exempt under section 501(a). It also assumes that Plan Y remains qualified at and after the time(s) of transfer.

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.

A copy of this letter has been sent to your authorized representative in accordance with a power of attorney on file in this office.

If you have any questions please contact _____ I.D. _____ at _____

Sincerely yours,

Ada Perry

for Donzell Littlejohn, Manager
Employee Plans Technical Group 4

Enclosures:

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Notice of Intention to Disclose, Notice 437