200938030

Department of the Treasury
Internal Revenue Service

UI No. 402.00-00

LEGEND:

JUN 26 2009

SE:T:EP:RA:T3

Association B =

Company A =

Company B =

Company C =

Group Annuity
Contract A =

Plan X =

Dear:

This is in response to a letter dated December 12, 2008 submitted by your authorized representatives in which you requested a ruling, on behalf of Association B, concerning section 402 of the Internal Revenue Code (the "Code").

The following facts and representations have been submitted:

In or around 1956, Company A established Plan X ,a defined contribution plan intended to qualify under section 401(a) of the Code, for its employees. Company A terminated Plan X approximately twenty years ago. At the time of termination, participants were given the option of receiving plan proceeds through periodic payments or through a lump-sum payment. In order to effectuate this plan termination, those who requested lump sum payments received lump sum distributions of their entire account balances. The remaining plan assets were used to purchase Group Annuity Contract A in order to make periodic payments to participants. Company A was the Group Annuity Contract A policyholder. All obligations and claims were paid under the plan were satisfied prior to the purchase of the Group Annuity Contract A

You have stated that Group Annuity Contract A was purchased from Company B using assets from the terminated plan and that no other premiums were made on Annuity A. You have stated that Group Annuity contract A is not a qualified retirement plan.

Company A remained the policyholder of Group Annuity Contract A until merging with Company C, in 19

Company B converted from a mutual company to a stock company in 20 As part of this demutualization, Company B distributed stock to Company C, as the group annuity policyholder, in exchange for mutual fund membership interests in the year 20 Company C sold the stock in the same year. Company C then transferred the cash proceeds of the sale to Association B so that Association B could equitably distribute the proceeds to the individual annuitants. These proceeds are now being held in a separate, interest earning bank account awaiting distribution.

Based on the foregoing, you request a ruling that the demutualization proceeds are plan assets.

Section 401(a) of the Code provides that a trust created or organized in the United States and forming part of a qualified stock bonus, pension, or profit-sharing plan of an employer shall constitute a qualified trust only if the various requirements set out in section 401(a) of the Code are met.

Section 501(a) of the Code provides that an organization described in section 401(a) (that is, a trust which is part of a qualified pension, profit-sharing or stock bonus plan) is exempt from taxation.

Revenue Ruling 69-157, 1969-1 C.B. 115, provides that a trust that is part of a qualified plan will not retain its qualified status after the plan has been terminated. Revenue Ruling 69-157 also provides that a plan is not considered terminated in fact where the plan continues in effect until all the assets have been distributed to participants in accordance with the terms of the plan.

Plan X was terminated and its trust assets liquidated approximately twenty years ago. At that time, Plan X used its trust assets to purchase Group Annuity Contract A in order to provide for payments to participants who opted to receive their distribution in the form of periodic payments. Group Annuity Contract A is not a qualified retirement plan. As a result, Plan X was not in existence at the time of the demutualization of Company B.

Accordingly, with respect to your first ruling request and based on the facts presented, we conclude that cash proceeds received by Company C resulting from the demutualization of Company B are not plan assets.

The other five ruling requests regarding this transaction have been sent to Chief Counsel for their appropriate action.

This ruling is based on the assumptions that Plan X was qualified under section 401(a) of the Code at all relevant times.

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

This letter (original) is being sent to your authorized representative in accordance with a power of attorney on file in this office.

If you wish to inquire about this ruling, please address all correspondence to SE:T:EP:RA:T3.

Sincerely Yours,

Frances V. Sloan, Manager
Employee Plans Technical Group 3

Enclosures:
Notice of Intention to Disclose
Deleted Copy of Ruling

cc: