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Department of the Treasury

Washington, DC 20224

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PLR-115585-24

Date:

March 10, 2025

In Re:

### LEGEND

The Taxpayer =

The Bank =

Dear :

This letter is written in response to your request of August 30, 2024, as supplemented by email dated December 6, 2024, requesting a ruling regarding whether, under the facts described below, the Taxpayer will be treated as having violated the anti-assignment requirement in Revenue Ruling 2011-1, 2011-2 IRB 251.

### FACTS

The Taxpayer is a collective trust for which the Bank currently serves as the trustee. The Taxpayer received a determination letter from the IRS that it “qualifies as a group trust arrangement as described in Rev. Rul. 81-100 [as modified by Rev. Rul. 2011-1]” (“81-100 group trust”). The Taxpayer is available for investment only to investors that are certain types of qualified retirement plans and governmental plans described in Rev. Rul. 2011-1 (“group trust retiree benefit plans”) or other 81-100 group trusts, and is not publicly offered.

The Taxpayer maintains its portfolio of assets through interests in a number of limited partnerships (also referred to as holding companies) through which it invests in parallel with other funds that are suitable for different classes of investors. For example, while the Taxpayer is open to investment only by

group trust retiree benefit plans or other 81-100 group trusts, the investors participating in a second fund are various U.S.-based taxable and tax-exempt entities and that fund is not an 81-100 group trust.

The Taxpayer currently operates pursuant to its Trust Agreement. The Trust Agreement provides that it is intended that the Taxpayer qualify as an 81-100 group trust, and that the Trust Agreement be construed and administered to give effect to that intention.

The Trust Agreement provides in general that, except to the extent permitted by Rev. Rul. 81-100, as modified, none of the Taxpayer's assets nor any group trust retiree benefit plan investment in the Taxpayer will be subject to any assignment. The Bank, as trustee, holds title to all property constituting the assets of the Taxpayer, with power to pay out and distribute those assets as provided in the Trust Agreement.

The Trust Agreement provides rules for satisfaction of investor interests that are withdrawn from the Taxpayer. The Trust Agreement provides, in relevant part, that a group trust retiree benefit plan's request to withdraw part or all of its interest in the Taxpayer may, at the option of the Bank, be satisfied by a distribution in cash, or in kind in the form of limited partnership interests (or other interests) in the holding companies as of the applicable valuation date, or a combination of both cash and in-kind distributions. The ability to receive this in-kind distribution is conditioned on the contribution of the limited partnership interests (or other interests) in the holding companies to another fund in exchange for limited partnership interests (or other interests) in that other fund. A group trust retiree benefit plan investing in the Taxpayer that has submitted a withdrawal request will receive cash for its interest only to the extent that there is cash available to apply to all withdrawal requests. If the Taxpayer has insufficient cash to fully satisfy all pending withdrawal requests, then a withdrawing group trust retiree benefit plan would receive partial redemption in cash equivalent to its pro-rata share of available cash to withdrawal requests received from all investors in the Taxpayer.

The Taxpayer has inquired whether the following combination of actions that the Taxpayer proposes to engage in ("the Transaction") would violate the anti-assignment requirement of Rev. Rul. 2011-1:

First, a group trust retiree benefit plan investing in the Taxpayer would request to redeem its interest in the Taxpayer in exchange for a pro-rata interest in the assets of the Taxpayer, including shares in the holding companies through which the Taxpayer invests in the underlying asset portfolio.

Second, the Bank, as trustee of the Taxpayer, would accept the request and would make a deemed distribution of those holding company shares to the group trust retiree benefit plan on the condition that the group trust retiree benefit plan immediately contribute those shares to a second fund offered for investment by the Bank that is a limited partnership (rather than an 81-100 group trust), and that

also invests in the holding companies. Pursuant to this deemed distribution and immediate contribution of the holding company shares to the second fund, the Taxpayer would transfer the holding company shares distributed in satisfaction of the group trust retiree benefit plan's interest in Taxpayer to the second fund and the group trust retiree benefit plan would receive a limited partnership interest in the second fund.

Subsequent to the group trust retiree benefit plan's withdrawal from the Taxpayer and investment in the second fund, that group trust retiree benefit plan could engage in a secondary market transaction with a prospective new investor who wishes to acquire the group trust retiree benefit plan's limited partnership interest in the second fund.

The Taxpayer asserts that the Transaction would enable its investors to withdraw from the Taxpayer and acquire an interest of equivalent value in the second fund, in anticipation of a sale of its interest in the second fund to a new investor, without violating the anti-assignment rule of Rev. Rul. 81-100.

#### RULING REQUESTED

You have requested a ruling that the Transaction will not result in an impermissible assignment of any interest in the Taxpayer or any part of the Taxpayer's equity within the meaning of Requirement (7) of Rev. Rul. 2011-1, and, consequently, the Taxpayer will not fail to qualify as an 81-100 group trust described in Rev. Rul. 2011-1 as a result of engaging in these actions.

#### LAW AND ANALYSIS

Rev. Rul. 81-100, as modified,<sup>1</sup> provides that certain retiree benefit plans and other arrangements are permitted to pool their assets for investment purposes in an "81-100 group trust" if certain requirements are satisfied. These retiree benefit plans and arrangements, known as "group trust retiree benefit plans," are qualified retirement plans under § 401(a) of the Internal Revenue Code (Code); governmental retiree benefit plans under § 401(a)(24); certain custodial accounts under § 403(b)(7); retirement income accounts under § 403(b)(9); IRAs that are exempt under § 408(e); eligible governmental plan trusts or custodial accounts under § 457(b); and plans described in section 1022(i)(1) of the Employee Retirement Income Security Act of 1974, Pub. L. 93-406, 88 Stat. 829, as amended.

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<sup>1</sup> Rev. Rul. 81-100 has been clarified and modified by Rev. Rul. 2004-67, 2004-2 CB 28, Rev. Rul. 2011-1, Notice 2012-6, 2012-3 IRB 293, and Rev. Rul. 2014-24, 2014-37 IRB 529. Rev. Rul. 81-100 is itself a restatement of the rules governing group trusts under Rev. Rul. 75-530, 1975-2 CB 146, and Rev. Rul. 56-267, 1956-1 CB 206.

Rev. Rul. 2011-1, as modified, requires in relevant part that a group trust instrument “expressly [prohibit] an assignment by an adopting group trust retiree benefit plan of any part of its equity or interest in the group trust (“Requirement (7)”).”

The Trust Agreement prohibits the transfer or assignment of assets or an interest in the Taxpayer by or with respect to any investor. The Taxpayer received a determination letter from IRS holding that the terms of the Trust Agreement comply with the requirements of Rev. Rul. 2011-1, including requirement (7).

The group trust retiree benefit plan’s redemption of its interest in kind followed by reinvestment of the in-kind interest outside of the Taxpayer is not a transfer of an interest in an 81-100 group trust, and accordingly is not a prohibited assignment of the group trust retiree benefit plan’s interest in the Taxpayer under Requirement (7) of Rev. Rul. 2011-1. Following these actions the group trust retiree benefit plan is no longer invested in the Taxpayer. Accordingly, a subsequent sale of that in-kind interest by the group trust retiree benefit plan also would not be an assignment of its interest in an 81-100 group trust that is impermissible under Requirement (7) of Rev. Rul. 2011-1.

Accordingly, the Transaction is not an impermissible assignment within the meaning of Requirement (7) of Rev. Rul. 2011-1.

#### HOLDING

The Transaction is not an impermissible assignment within the meaning of Requirement (7) of Rev. Rul. 2011-1 of an interest in the Taxpayer or a part of the Taxpayer's equity, and the Taxpayer will not fail to qualify as an 81-100 group trust within the meaning of Rev. Rul. 2011-1 with respect to Requirement (7) as a result of engaging in the Transaction.

The ruling contained in this letter is based upon information and representations submitted by Taxpayer’s authorized representatives and accompanied by a penalties of perjury statement executed by an appropriate party, as specified in Rev. Proc. 2024-1, 2024-1 IRB. 1, § 7.01(16)(b). This office has not verified any of the material submitted in support of the request for ruling, and such material is subject to verification on examination. The Associate office will revoke or modify a letter ruling and apply the revocation retroactively if there has been 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 ruling was based; or, in the case of a transaction involving a continuing action or series of actions, the controlling facts change during the course of the transaction. See Rev. Proc. 2024-1, § 11.05.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

This ruling letter is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to each of your authorized representatives.

Sincerely,

Linda S. Marshall  
Senior Counsel, Qualified Plans Branch 1  
Office of the Associate Chief Counsel  
(Employee Benefits, Exempt Organizations,  
and Employment Taxes)

cc: