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■ IRS Moves to Ease Pension Pain

By Carole Fleck

'AARP Bulletin' story exposed drastic payment reductions

When Ed Cochran, a 65-year-old retired sheet-metal worker from Illinois, found out that his union pension's monthly payout was being reduced from more than \$1,300 to \$800, "I thought I was going to have a heart attack," he said.

Perry Kinard, 77, saw his pension from New York drop from \$1,414 a month to just \$5.

But there may be hope for people such as Cochran and Kinard, whose pensions were slashed because miscalculations by those running the funds had caused overpayments.

After their stories were featured in the March AARP Bulletin, the IRS issued a "modification and clarification" covering pension plans that makes it clear that unions and companies are not required to recoup accidental overpayments.

The IRS guidance, issued March 27, said plan sponsors misinterpreted IRS rules when they aggressively sought repayments.

"In lieu of seeking recoupment from participants," employers could contribute the amount of the overpayment to the plan, or amend the pension to what the participant had been receiving, the IRS said.

Pension plans have long claimed that IRS rules required them to recoup overpayments from retirees, said Nancy Hwa, a spokeswoman for the Pension Rights Center (PRC) in Washington.

Hwa said the PRC sent the *Bulletin* story to Treasury officials immediately after it was published, hoping it would have an impact. Within weeks, the IRS acted. The article "definitely helped, because AARP represents a lot of people who are victims of recoupment," Hwa said.

David Godofsky, a Washington pension lawyer, says he believes that the IRS guidance could have an impact on plans that overpaid beneficiaries.

"In my experience, plan sponsors don't go through this pain because they want to collect money from retirees. It's because they think the IRS requires it," he says. "This will help educate plan sponsors about the options that have always been there." □

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