



COST OF LIVING INDEXED RETIREMENT PLAN LIMITS UNCHANGED IN 2011

On October 28, 2010, the IRS issued a Notice that indicated no change in any significant retirement plan limits relating to tax qualified retirement plans. A number of annual limits, such as the 401(k) maximum annual deferrals, the maximum employer contributions to profit sharing or money purchase plans, and the maximum defined benefit plan benefits are subject to cost of living escalators. Limits for a given calendar year are determined by referring to cost of living index numbers for the twelve month period ending the previous September 30. The index for that period increased slightly, but failed to exceed the earlier 2008 Index levels for purposes of determining 2011 limits. NRS communicated these new COLA limits in an email sent to you last week. Please consult your NRS Account Manager for value added strategies to optimize your retirement capital under these retained contribution and benefit limits.

FINAL DOL REGULATION ISSUED CONCERNING FEE DISCLOSURES TO PARTICIPANTS

Final regulations governing participant disclosures regarding fees, expenses, plan related information, and investment related information were released by the Labor Department on October 14, 2010. These regulations have been expected for some time and compliment disclosure rules promulgated earlier this year that apply to fee disclosure information for employers and other plan fiduciaries.

Plan Related Disclosures:

The participant disclosure rules recently enacted require an advance description of how the plan

operates in terms of investment alternatives available to the participant, procedures for directing investments, changing investment elections, etc. Plan administrative expenses, individual fees and expense charges (e.g. for plan loans and divorce related QDROs) must be described, along with the basis for charging these fees. Changes to any of these items must be disclosed to participants between 30 and 90 days before they become effective, unless prevented by circumstances beyond the plan administrator's control.

Investment Related Disclosures:

Investment information must also be provided before a participant becomes eligible to direct investments and annually thereafter. This includes the following:

- The name of each investment alternative
- Performance information, including 1, 5, and 10 year returns
- The issuer or provider's name
- Financial objectives or goals
- Benchmark information
- Fee and expense information

Other information, such as a prospectus, financial statements, share values, and a list of the assets comprising the portfolio must be provided, either automatically or at the participant's request.

In addition, participants must receive quarterly statements showing actual fees and expenses charged to their accounts. Finally, the disclosure must provide a website address that will provide specific, additional information about the investment options for plan participants and beneficiaries, and a glossary of investment terms. The DOL has furnished a model chart to aid in meeting these requirements.



The new rules will apply to plan years beginning on or after November 1, 2011 (January 1, 2012 for calendar year plans). This provides time for investment providers and plan administrators to gear up for this substantially increased level of required disclosure to plan participants and beneficiaries.

NEW IRS TAX RETURN PREPARER APPLICATION SYSTEM AND USER FEES

The IRS recently announced a new online application system for tax return preparers to obtain a Preparer Tax Identification Number (“PTIN”) credential in order to prepare tax returns for compensation. A PTIN will be required for individuals who prepare “substantially all” of a federal tax return. Based on current interpretations, the PTIN requirement will apply to the preparation of the annual information Form 5500 series, as well as Form 5330 regarding pension funding deficiencies, prohibited transaction penalties, and certain other reportable events. PTINs must be renewed on an annual basis and involve an annual fee. The new system is effective for tax returns prepared after December 31, 2010. Please note, this “PTIN” registration system does not diminish the plan administrator’s and plan sponsor’s ultimate responsibility for the accuracy and completeness of these tax forms. Please be informed that NRS will obtain this required PTIN credential to insure that the Form 5500 series, and when applicable, Form 5330, is properly filed. No action is needed on your part.

DOL PROPOSES UPDATED DEFINITION OF “FIDUCIARY”

The Department of Labor issued a proposed regulation October 22, 2010 concerning revisions in determining who is a “fiduciary” for ERISA purposes. The proposed regulations represent the

first update in 35 years, and are sensitive to the explosive growth of 401(k) plans, particularly those that permit plan participants the opportunity to invest their retirement funds. The proposal expands “fiduciary” to include compensated persons who provide investment advice, including appraisals, to plans, even if the advice is provided on a one time or irregular basis and even if the advice does not constitute the “primary” basis for making the investment decision. Current rules require that the advice be provided on a “regular” basis and that the advice is the “primary” basis for investment decisions. Comments on the proposed regulation are due January 20, 2011 and several large institutions and organizations are expected to weigh in by that deadline. This proposed definition of “fiduciary” is crucial as fiduciaries can be held *personally* liable for any losses to a retirement plan resulting from a breach of “fiduciary duty”.



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