

## **2011 YEAR END TASKS AND REMINDERS**

As the end of another calendar year approaches, employers who sponsor qualified retirement plans, and those who advise them, should keep a number of year end items in mind. Attention to these items will result in efficient, well run plans and will avoid unwanted and unnecessary complications that can arise from plan non-compliance. Some of the more important items to remember are as follows:

- All plans must be sure that owners and terminated participants over age 70½ receive required minimum distributions no later than December 31, 2011 or else both the plan and affected participants face potential heavy penalties.
- Plan amendments are required by the last day of the plan year that started in 2011 for any amendments to be adopted at the employer's discretion.
- If a plan implemented an in-plan Roth conversion (see our December 2010 Newsletter), formal amendments are generally needed by the end of 2011.
- 401(k) plans that feature (or may feature) "safe harbor" provisions in 2012 must provide participant notices in advance of the new year. The normal timeframe is between 30 and 90 days before the plan year begins, so there may be little or possibly no time left for this activity.
- In addition to the "safe harbor" notices mentioned above, many 401(k) plans that include automatic enrollment procedures must also provide advance 2012 notices to participants during the same timeframes as the safe harbor notices.
- Employers that wish to obtain 2011 tax deductions for contributions to a new plan must adopt the plan no later than the last day of their 2011 fiscal year.
- Some defined benefit and cash balance plans may require further technical amendment by the end of the 2011 plan year. NRS clients have already been advised of any needed amendments, including a restatement for pre-approved defined benefit plans.
- Beginning in 2012, a number of limits that apply to tax qualified plans have increased for the first time in three years. These include \$17,000 maximum salary deferrals for 401(k) and 403(b) plans, along with \$50,000 maximum individual annual additions and a \$250,000 maximum for recognized annual compensation. Catch up contributions of \$5,500 apply for those age 50 and over, along with a number of other increased limits.
- Plan participant loans must be monitored and loans delinquent beyond the calendar quarter following the quarter that the earliest payment was due must be reported as taxable income to the participant. This includes the entire unpaid loan; not just the payments in arrears.
- The end of the year is a good time to check on terminated participants entitled to retirement plan benefits and arrange for benefit payment if permitted by the plan provisions. Usually benefits under \$5,000 (\$1,000 in some cases) may be paid out currently without the participant's consent. This procedure can produce substantial economies in plan administration and avoid future headaches because former employees can become difficult or impossible to locate.

## **COMPLETING FORM 8955-SSA: IRS SETTLES CONFUSION FOR 2009/2010 REPORTING**

If you read our November 2011 Newsletter, you are aware of the complexities associated with the new reporting Form 8955-SSA. The form is designed to

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report retirement plan participants who have terminated employment and remain entitled to deferred retirement plan benefits. The data is submitted to the IRS who passes the information on to the Social Security Administration (“SSA”). In the November article, we pointed out that once the 2010 Form 8955-SSA was made available to the public, employers and plan administrators would no longer be able to take advantage of a special transition rule that allows reporting for both of the years 2009 and 2010 to be done on the 2009 Form 8955-SSA. This belief was shared by many practitioners and resulted from a statement in the 2010 Form 8955-SSA instructions that stated; *“If information for the 2010 plan year has been previously reported on a 2009 Form 8955-SSA, then that information should not be reported on the 2010 Form 8955-SSA. If, however, information for the 2010 plan year has not been previously reported, it must be reported on the 2010 form 8955-SSA in accordance with these instructions.”*

The IRS has now clarified the intent of the quoted instructions in a new Q&A on their web site. It points out that there are three acceptable ways to provide 2010 Form 8955-SSA information:

- Put it on a 2009 Form
- Combine it with 2009 information on a 2009 Form
- Put it on a 2010 Form

As always, NRS will continue to assist clients by providing completed government reporting forms, including Form 8955-SSA. This will include adhering to guidance provided by the responsible federal agencies.

**FOR MORE INFORMATION OR TO REQUEST A PROPOSAL, PLEASE VISIT OUR WEBSITE AT [WWW.NRSERVICES.COM](http://WWW.NRSERVICES.COM), OR FOR SALES SUPPORT, PLEASE CONTACT:**

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**ALL OF US AT NRS WISH YOU AND YOURS THE VERY BEST FOR A WONDERFUL HOLIDAY SEASON AND A PROSPEROUS NEW YEAR!**