NRS
NATIONAL RETIREMENT SERVICES, INC.

IRS POSTPONES DEFINED BENEFIT PLAN AMENDMENT ONE YEAR

Almost while the Thanksgiving turkey was being prepared (November 21, 2012), the IRS announced their decision to postpone the required date to adopt the pending plan amendment for defined benefit plans. As featured in our November 2012 newsletter, an amendment was required no later than December 31, 2012 to reflect IRS guidance and two recent laws. That date has now been postponed to December 31, 2013. As a result, NRS will generally not be assisting clients in amending their documents until next year.

As part of the process of adopting the new amendment, NRS plans to change the treatment of benefit accruals after a benefit accrual freeze is legally required due to low funding levels. The current provision for nearly all NRS client plans provides for the *automatic* resumption of accruals after the funding condition has improved enough to permit the legal resumption of benefit accruals. When the new amendment is adopted (presumably in 2013), this default provision will change so that when the law requires a benefits freeze, benefits remain frozen until the employer takes positive action to make them resume. NRS clients who may wish to make this change earlier than with the 2013 amendment should contact their NRS Account Manager.

"SAVE MY 401K" CAMPAIGN UNDERWAY

We recently emailed you information regarding the movement to contact Members of Congress, urging them to leave 401(k) plans intact when contemplating likely cuts in the federal tax structure. The topic has already been featured in major news media and the web site www.savemy401k.com offers a quick and easy way to contact an individual's Congressional representatives. Please be sure to click on the www.savemy401k.com link to complete the 20 second process of emailing your Congressional representatives telling them to not reduce or take away your 401(k) plan. Additionally, please share this information with others who may be concerned about their 401(k) plans.

LOAN AND HARDSHIP DISTRIBUTION RELIEF PROVIDED FOR HURRICANE SANDY VICTIMS

Acting within two weeks after the storm struck the Northern Seaboard, the government has offered employers the opportunity to liberalize their rules and procedures if the purpose of a retirement plan distribution is to aid Hurricane Sandy victims. The IRS issued Announcement 2012-44 on November 16, 2012 containing details concerning how employers can expedite the flow of retirement plan money to areas hard hit by the storm. As was the case with Hurricane Katrina in 2005, normal restrictions concerning the reason for a hardship distribution are waived during the period from October 26, 2012 through February 1, 2013. Likewise, plans that ordinarily require a six month suspension on employee deferral contributions may waive that requirement. Documentation ordinarily required for loans and hardships are also relaxed during this more than three month specified period, as long as the Plan Administrator obtains the required documentation as soon as practical after February 1, 2013.

Significantly, the hardship distribution or plan loan need not necessarily be made directly to a Hurricane Sandy victim. If the money is meant to relieve storm related hardships suffered by a spouse, child, parent, grandparent or other dependent living in designated areas in New York, New Jersey, Connecticut, and Rhode Island, the relief can apply. For example, a parent living in Los Angeles can take out a hardship distribution to

Continued on the next page…

help a son or daughter in New Jersey who suffered storm damage.

Employers who want to take advantage of this temporary relaxation of the rules may do so as long as a suitable plan amendment is adopted by the last day of the plan year beginning in 2013. This includes plans that may not even currently allow participant loans or hardship distributions. Defined benefit and money purchase plans may not provide hardship distributions other than from rollover or employee contribution accounts, but Hurricane Sandy rules can apply for distributions from these accounts.

Once again, the federal government is stepping in to make it possible to divert retirement money to what may be the more pressing need of mopping up after the hurricane.

ADVISORS PORTAL TO LAUNCH SOON!

We have successfully launched the NRS Client Portal which enables full and complete electronic data transmission between NRS and its valued clients. NRS will soon launch its Advisors Portal for Financial Advisors, CPAs, Insurance Agents and other professionals serving our mutual clients. Detailed explanations of the Advisors Portal will be sent to these advisors within the next ten business days.

2012 YEAR END REMINDERS

- Make sure that individuals required to receive minimum distributions (generally owners and terminated participants over age 70½) receive them no later than December 31, 2012 in order to avoid stiff penalties for the intended recipients and to comply with your retirement plan provisions.

- Plan amendments are required to be adopted by the last day of the plan year that started in 2012 for any discretionary plan changes.

- Safe Harbor 401(k) participant notices for the 2013 calendar years are normally required between 30 and 90 days before the start of the new plan year.

- Automatic enrollment 401(k) plans must provide participant notices concerning the auto enrollment process and default investments between 30 and 90 days before the new plan year begins.

- Employers wishing a 2012 tax deduction for a new retirement plan must formally adopt the plan document no later than the last day of their 2012 fiscal year.

- 401(k) plans with calendar plan years must contribute QNEC amounts necessary to correct an ADP and/or ACP failure for the 2011 plan year by December 31, 2012. Likewise, any distributions necessary to correct 2011 ADP/ACP failures are required by December 31, 2012.

- New COLA limits go into effect in 2013, including $17,500 maximum deferrals for 401(k) and 403(b) plans, $51,000 maximum annual additions to a defined contribution plan participant, and a $255,000 maximum recognized annual compensation along with a number of other increased limits. Catch up contributions of $5,500 remain the same and continue to apply for those age 50 and over.

- Review plan records to check on terminated participants who have not received their benefits and arrange for benefit payments, 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 administrative economies, especially because locating future missing participants can be expensive and time consuming.

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FOR MORE INFORMATION OR TO REQUEST A PROPOSAL, PLEASE VISIT OUR WEBSITE AT WWW.NRSERVICES.COM, OR FOR SALES SUPPORT, PLEASE CONTACT:

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