

DATA COLLECTION: A KEY ELEMENT IN PROVIDING EFFECTIVE PLAN ADMINISTRATIVE SERVICES

Because qualified retirement plans operate on a 12 month plan year basis and most reports are required for each plan year, third party administrators (“TPAs”) typically solicit retirement plan related data on an annual basis. A large number of plans use the calendar year as the plan year, so data requests concerning plan activity for calendar 2011 have largely already occurred. Collection, preparation, and transmission of this data by employers are now underway. As discussed below, employers providing TPA requested data for their retirement plans are well advised to provide data that is complete, accurate, and furnished on a timely basis.

Employee and Financial Data

Reported data includes accurate employee information concerning employee dates of hire; rehire dates, and compensation paid during the year. Each qualified retirement plan defines compensation for plan purposes in a specific way and the employer gathering data must report compensation information that is consistent with the retirement plan’s definition, along with total compensation if it differs from the plan’s definition. If a recently hired employee was previously employed by the employer, that fact must be disclosed in the data. Also, financial information concerning transactions and investment results from plan assets must be accurately and completely reported, especially the dates and amounts of contribution deposits.

Common Business Ownership

In addition to accuracy, care must be taken by the employer to an annual questionnaire concerning the plan. For example, employers must report the current ownership of the business, as well as any

other businesses that may be commonly owned by five or fewer owners. Likewise, service organizations who join with other organizations in doing business must report all requested pertinent information. TPA firms require this information in order to determine which entity or entities comprise the “employer” that sponsors the plan. This must be done in accordance with complex rules contained in the Internal Revenue Code. Often this information has a critical impact on whether the plan can satisfy federally required coverage and prohibited discrimination rules. If in doubt, an employer is better off reporting more data than absolutely necessary in order to guard against the “employer” being misidentified.

Data Provided in a Timely Manner

Finally, requested data must be provided to the requesting party well in advance of the deadline for filing required reports and statements. Companies should not procrastinate in providing the TPA with required information to process compliance tests and prepare government reports and statements, as “last minute” data greatly increases the possibilities of having errors.

Employers who use TPAs to help them operate their tax qualified retirement plans receive the best results if they make sure that the information they provide the TPA is accurate, consistent with Plan provisions, complete and provided well in advance of statutory deadlines.

RETIREMENT PLAN SERVICE PROVIDERS WAITING FOR FINAL INVESTMENT DISCLOSURE GUIDANCE

New rules designed to provide greater transparency concerning fees paid by retirement plans will require substantial changes in disclosure materials provided by financial service providers and third party administrative firms such as NRS. The new rules requiring employers to provide these

("404a-5") disclosures to participants have been featured in the general press recently and are being hailed as a significant and positive development. Calendar year plan participants that direct their plan investments are scheduled to receive this information no later than August 14, 2012. Firms providing plan services for fees paid by the plan are required to provide fee ("408(b)(2)") disclosures to employers by April 1, 2012.

As stated in our January Newsletter, additional Department of Labor guidance concerning 404a-5 disclosures was expected to be issued in October or November of last year. As the last days of January 2012 pass into history, the guidance has yet to be provided, so professional groups' pleas for a delay in the effective dates are becoming more urgent. If the August 14, 2012 date for 404a-5 disclosures is extended, it remains to be seen if the April 1, 2012 date for 408(b)(2) disclosures will also be delayed. We will continue to monitor and report upon this topic.

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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