DOL FINALIZES REGULATIONS FOR RETIREMENT PLAN SERVICE PROVIDER FEE DISCLOSURES! EXTENDS DEADLINE!

The Department of Labor issued its final regulation under ERISA section 408(b)(2) in early February, 2012. Among other things, the regulation extended the due date for the initial disclosure from April 1 to July 1, 2012. This extension roughly corresponds with the difference between the October/November expected release of the regulation and its actual publication in February. This means that retirement plan service providers whose compensation is paid by a retirement plan have just four months to complete necessary preparations and issue suitable disclosures to plan fiduciaries. It also extends the deadline for plan fiduciaries to disclose plan fee information to plan participants ("404a-5 disclosures") by three months to August 30, 2012 for calendar year plans.

The regulation confirms that service providers are not required to provide a summary of disclosures in situations where information is provided from multiple sources. However, a sample guide was provided by the DOL to assist those who wish to voluntarily do so. It also makes it clear that electronic disclosures are permitted. The final regulation was more stringent than originally proposed because it requires a description of any arrangement between a service provider and someone paying indirect compensation to that provider. Another significant change is a provision requiring plan sponsors to terminate relationships with service providers who fail to timely provide them with requested information about future plan service charges. On a similar note, the regulation requires a fiduciary to determine whether to terminate or continue the business relationship with the provider if requested information concerning compensation for prior plan services is not furnished by the provider within 90 days.

NRS is taking necessary steps to be certain that we will be in compliance with the new regulation on a timely basis.

LOWER INTEREST RATES IMPACT RETIREMENT PLANS

The fact that interest rates are at a lower level than have been experienced in many decades creates a variety of opportunities within company retirement plans. For example, participant loans involve a much lower interest rate, which makes them easier for participants to afford. While plan loans may look more tempting than before, participants must keep in mind that if their employment terminates with an unpaid loan balance, that balance is treated as taxable income and the participant may not have available cash to pay the taxes.

For defined benefit pension plans, lower interest rates result in higher single sum benefits because the rate used to discount future periodic payments is lower. It also means that pension plan liabilities for accrued benefits will be higher. When investment returns on plan assets are also lower, this combination produces a significant decline in the plan's funded benefits ratio. A lower discount rate and investment return also mean that it takes more contributions to fund a given level of retirement income. This, in turn, creates an opportunity for employers who wish to increase the amount of their tax deductible contributions to a defined benefit plan.

For more information or to request a proposal, please visit our website at www.NRServices.com, or for sales support, please contact:

Central & Eastern Time

Jim Houpt
Executive Vice President
T| (800) 627-1610 x 2207
E| jim.houpt@NRServices.com

Pacific & Mountain Time

Kevin Spaeth
Sales Representative
T| (800) 350-2172 x 260
E| kevin.spaeth@NRServices.com

Continued on the next page…