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NATIONAL RETIREMENT SERVICES, INC.

401(K) PLANS GROWING

The Nation's 401(k) retirement plans grew another 5% in the third quarter of 2013, reaching $4 trillion. Overall, America's retirement plan assets exceeded $21 trillion and included $6 trillion in Individual Retirement Accounts (IRAs), nearly $6 trillion in Defined Contribution Plans (other than 401(k)), and just under $3 trillion in private Defined Benefit Plans. Now that Congress has passed the Bipartisan Budget Act of 2013, it is unlikely that any additional tax reform will be enacted before the 2014 elections. This is good news for those of us who support the "Save My 401(k)" movement. However, aided by the American Society of Pension Professionals and Actuaries, we will continue to monitor Congressional activity and report anything that might be detrimental to America's private retirement plan movement.

IN-PLAN ROTH TRANSFER GUIDANCE ISSUED – AMENDMENTS POSTPONED UNTIL 12/31/14

Guidance in the form of Notice 2013-74 was issued in late November by the IRS. The Notice addressed rules associated with in-plan transfers under the American Taxpayer Relief Act of 2012 ("ATRA") passed very early in 2013. ATRA permits in-plan transfers from any vested pre-tax amount held in a 401(k), 403(b) or governmental 457(b) plans, even though such amounts are not otherwise distributable to the participant. The transfer may consist of all or any part of a participant's vested pre-tax benefits. For example, employee deferral contributions and Qualified Non-Elective Contributions ("QNECs") are not distributable during continuous employment before age 59½. Money in these accounts could not be transferred to a Roth account via an in-plan rollover before ATRA was enacted unless the participant was already at least age 59½. After the law change, an in-plan Roth transfer can occur regardless of the participant's age.

The new Notice confirms that accounts subject to an in-plan Roth transfer must be fully vested except for very limited exceptions. In-plan transfers under ATRA that are not currently distributable to the participant require no individual federal income tax notice. It also points out that amounts subject to distribution restrictions before the in-plan transfer continue to be subject to those restrictions after the transfer. This means that participants under age 59½ will not be able to withdraw salary deferrals and QNECs as part of the transfer transaction in order to pay the necessary tax on the transferred assets. This will require the participant to increase tax withholding or otherwise access available funds to pay the associated income taxes on the newly taxable money.

Plan amendments are normally required by the end of the plan year in which they are effective. In-plan Roth transfers can be effective as early as January 1, 2013. However, the Notice reassures employers that no amendment will be required before December 31, 2014. This should provide ample time for appropriate documents to be prepared and adopted. Employers have additional time to adopt appropriate 403(b) plan amendments, perhaps as late as 2018.

NEW BUDGET LAW: PBGC PREMIUMS ARE INCREASED

The Bipartisan Budget Act of 2013 was signed into law on December 26, 2013 and includes premium rate increases for employers with pension plans insured by the Pension Benefit Guaranty Corporation. The rate increases are effective for plan years beginning in 2015 and subsequent years, so there will be no immediate scramble to adjust premium payments due early in 2014. The flat rate

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premium change for 2015 replaces the current $49 (indexed) per participant charge with a non-indexed $57. This rate moves up to $64 in 2016 and indexing kicks in starting in 2017. In a similar fashion, variable rate premiums charged to underfunded plans in addition to flat rate premiums will also be increased starting in 2015. The premium rate per $1,000 of underfunded benefits increases by $5 in 2015. It changes by another $5 to an additional $10 per $1,000 minimum rate for 2016 and later years.

JANUARY 2014 REMINDERS

January 15 – Forms 5500/8955-SSA are due for Plan Years ending 3/31/13 if they are on extension.

January 15 – Retirement plan employer contributions are due for corporate tax returns due January 15, 2014 covering the fiscal period ending 10/31/13 and for the fiscal period ending 4/30/13 for returns on extension.

January 31 – Form 5500/8955-SSA – Forms are due for Plan Years ending 6/30/13 unless an extension applies.

January 31 – This is the deadline for sending Form 1099-R to participants who received benefits in 2013.

January 31 – This is also the deadline for restating and for filing individually designed (rather than pre-approved) retirement plan documents with the IRS for their review and approval if the employer's Tax Identification Number ends in a "3" or an "8."

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 507
E| jim.houpt@NRServices.com

PACIFIC & MOUNTAIN TIME

Nate DeLong
Sales Representative
T| (800) 350-2172 x 260
E| nate.delong@NRServices.com

Jim Holly
Sales Representative
T| (800) 350-2172 x 262
E| jim.holly@NRServices.com

Alex Froloff
Sales Representative
T| (800) 350-2172 x 224
E| alex.froloff@NRServices.com