Retirement News for Employers

November 22, 2013 Edition

IRA year-end reminders - review contribution limits, deadlines, tax credits, required minimum distributions and charitable donations

2014 cost-of-living adjustments - see changes to limits, including IRA income deduction limits and total annual contributions to plans

403(b) written plan requirement - what to do if you didn't adopt a written plan by the deadline

Annual notice – what to do if you didn't notify eligible employees about your SIMPLE IRA plan

Automatic enrollment plans - general facts and considerations for participants

Forms and publications

- Forms W-2 and W-3 - make sure the retirement plan information is correct
- Publication 4482, *403(b) Tax-Sheltered Annuities for Participants*
- Publication 4483, *403(b) Tax-Sheltered Annuity Plans for Sponsors*

Mark Your Calendar - retirement plan deadlines

DOL News - updates from Department of Labor

IRA 2013 Year - End Reminders

IRAs are a great way to save for retirement. Here are some reminders for 2013.

Contributions

- **Limits**
  Review the 2013 IRA contribution and deduction limits to ensure you're taking full advantage of the opportunity to save for retirement. You can contribute up to $5,500 or your taxable compensation, if less ($6,500 if you are age 50 or older by the end of 2013) to a traditional or Roth IRA. However, you may not be able to deduct your traditional IRA contributions if you or your spouse is covered by a retirement plan at work and your income is above a certain level. If you file a joint return, you and your spouse can each make IRA contributions even if only one of you has taxable compensation. You have until April 15, 2014, to make an IRA contribution for 2013.

- **Excess contributions**
  If you've exceeded the 2013 IRA contribution limit, you should withdraw the excess contributions from your account by the due date of your 2013 tax return (including extensions). Otherwise, you must pay a 6% tax each year on the excess amounts remaining in your account.

Tax credit

You may be able to take a retirement savings contribution tax credit (saver's credit) of up to $1,000 ($2,000 if filing jointly) for your contributions to either a traditional or Roth IRA. The amount of the credit you can get is based on the contributions you make and your credit rate. Your credit rate can be as low as 10% or as high as 50%. Your credit rate depends on your income and your filing status. See Form 8880 to determine your credit rate.

Required minimum distributions

If you're 70½ or older, you must take a required minimum distribution from your traditional IRA by December 31, 2013 (April 1, 2014, if you turned 70½ in 2013). You can calculate the amount of your RMD by using the RMD worksheets. You must calculate the RMD separately for each of your traditional IRAs, but can withdraw the total amount from any one or more of them. You face a 50% excise tax if you don't take your RMD on time. If you own only Roth IRAs, you don't have to worry about RMDs because you aren't required to take RMDs from Roth IRAs held in your name.

Charitable donations

You can exclude from gross income up to $100,000 of a 2013 qualified charitable distribution, which is:

1. a distribution paid directly from your IRA (not an ongoing SEP or SIMPLE IRA),

2. to a qualified charity,
3. after you’re 70½, and
4. by December 31, 2013.

You can use a qualified charitable distribution to satisfy the RMD for your IRA for the year. However, you can’t deduct this amount as a charitable contribution on your tax return.

Additional resources

- FAQs: IRAs
- FAQs: Required Minimum Distributions
- Publication 590, *Individual Retirement Arrangements (IRAs)*
- Publication 4703, *Retirement Savings Contributions Credit*

Failure to Adopt a Written 403(b) Plan - Fixing Plan Mistakes

The issue

All 403(b) arrangements must maintain a “written plan” and operate according to the terms of that plan. “Written plan” can mean having several documents that outline all necessary plan terms or a single document.

Generally, you, the 403(b) plan sponsor, had to satisfy the written plan requirement by January 1, 2009. However, you could have taken advantage of the December 31, 2009, extended deadline in Notice 2009-3 to meet the written plan requirements if you:

- adopted by December 31, 2009, a written 403(b) plan intended to satisfy the requirements of Internal Revenue Code Section 403(b) (including the final regulations) effective as of January 1, 2009;
- operated the plan during 2009 according to a reasonable interpretation of IRC Section.403(b) (including the final regulations); and
- made best efforts by the end of 2009 to retroactively correct any failure during the 2009 calendar year ensuring you operated your plan according to its written terms.

If you didn’t meet the deadline for complying with the written plan requirement, you can fix the mistake by completing a Voluntary Correction Program submission.

You get a 50% discount on the regular VCP fee if:

1. your plan’s only failure is not timely adopting a written plan,
2. you file a complete VCP submission, and
3. you mail it to the IRS by December 31, 2013.

The problem

Woz University, a public university, has sponsored a 403(b) plan since 2004. Woz University's benefits administrator discovered that the 403(b) plan didn't meet the written plan requirement by December 31, 2009. The plan sponsor otherwise administered the plan according to the 403(b) rules. The plan has 6,400 participants.

Fixing the mistake

Woz University can meet the written plan requirement by adopting a written 403(b) plan, effective January 1, 2009. The plan document terms must conform to the way they operated the plan.

Woz University should prepare a VCP submission including:

- a statement of its failure to adopt a written plan by the due date, and
- an explanation of its correction. The correction for this failure is adopting a written plan.

Normally, the fee for a submission for a plan with 6,400 participants is $20,000. However, if the university mails the complete VCP submission to the IRS on or before December 31, 2013, it would only pay a fee of $10,000.

Making sure it doesn't happen again

While failing to adopt an initial written plan wouldn't repeat itself, failing to amend the plan to reflect changes in plan operation and changes in law could occur in the future. You should periodically review your plan and operations to ensure that you amend your plan when necessary.

Additional resources

- 403(b) VCP submission kit for 403(b) plan sponsors who missed the December 31, 2009, deadline to adopt a written plan
- 403(b) plans page
- Correcting plan errors page

Automatic Enrollment in Your Employer's Retirement Plan

Some employers may automatically enroll you in their company's retirement plan when you meet the plan's eligibility requirements. So, how does automatic enrollment affect you? Here are some general facts about automatic enrollment and things you should consider:

- Retirement plans that allow employees to contribute to the plan from their wages, such as 401(k) plans, may automatically enroll employees.

- If you're automatically enrolled in your company's plan, your employer can deduct a certain amount (stated in the plan document) from your wages and contribute that amount to your retirement plan account.

- Before any amounts are deducted from your wages, you have the ability to elect not to participate in the plan or to contribute a different amount.

- Even if you're automatically enrolled, you may want to increase the amount you contribute to the plan because your plan's default automatic enrollment contribution amount may not provide you with enough retirement savings.

- Depending on your employer's plan, your employer may also contribute to your retirement plan account if you are automatically enrolled. Consider this before deciding not to participate in the plan or decreasing your contribution amount.

- Your employer's plan may also give you an option to withdraw your money within 90 days of the date that the first automatic contribution was made to your retirement plan account.

- Some plans may also have an automatic contribution increase feature, which over time increases your automatic contribution amount. Review your plan document or ask your employer if your plan has this feature.

- Many plans invest the automatically contributed amount in the plan's qualified default investment alternative. In these plans, you have the right to review your plan's investment options, consult your advisor and choose how amounts in your retirement plan account are invested.

Review your plan's document and ask your employer for more information about your company's retirement plan.

Additional resources

- Automatic Enrollment
- FAQs: Automatic Contribution Arrangements (Automatic Enrollment Arrangements)
- Publication 560, *Retirement Plans for Small Business (SEP, SIMPLE, and Qualified Plans)*

Mark Your Calendar - December 2013 and January 2014

Here are some important dates in the upcoming months. Most of the deadlines are for calendar-year plans; non-calendar-year plans must adjust the dates.

December 2: Give 2014 plan-year notice to eligible employees for safe harbor 401(k) plans and plans containing an eligible automatic contribution arrangement.

December 31:

- Distribute 2012 401(k) excess contributions and excess aggregate contributions (both adjusted for 2012 income and losses.)
- Set up a retirement plan for 2013 (but can't have retroactive elective deferrals).
- Distribute 2013 required minimum distributions (plans have until April 1, 2014, to pay the first RMD for a participant who turned 70½ in 2013.)
- Revoke a single-employer defined benefit plan sponsor's previous election to use a funding balance to offset minimum required contributions for the 2013 plan year, to the extent the election exceeded the full minimum required contribution for the year. This deadline only applies to plans with valuation dates as of the first day of the plan year.
- Elect to reduce January 1, 2013, funding balances to avoid or lift benefit restrictions under
  IRC Section 436 for single-employer defined benefit plans.
- Amend single-employer defined benefit plans to incorporate provisions required under IRC Section 436.

January 15: Make the 2013 fourth quarter contributions for defined benefit plans.

January 31:

- File Form 945, *Annual Return of Withheld Federal Income Tax*. If you made timely and complete deposits of 2013 taxes, you may file Form 945 by February 10, 2014.
- Trustees and custodians must issue Form 1099-R, *Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.*, to recipients of 2013 retirement plan distributions.
- Cycle C individually designed plans must amend for recent law changes and may submit the plan for a determination letter.