The Pension Protection Act

What you need to know to communicate with plan sponsors and participants

This material has been prepared to help you understand the 2006 Pension Protection Act (PPA) and how it impacts deferred compensation plans, plan sponsors and participants. The guidance provided in IRS Notice 2007-7 is also covered in the following Q&A.

I. EGTRRA Permanency 811: The provisions of the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) were made permanent in the PPA, including the Saver’s Credit

Because of the PPA, plan sponsors and participants no longer need to worry about retirement plan design features and benefit limits returning to pre-EGTRRA rules. As a result of the PPA, the following EGTRRA provisions are now permanent:

- Annual contribution limits for all defined contribution plans and eligible 457 plans are the same ($15,500 for 2007) and are periodically indexed for inflation
- Contributions to the 457(b) plan are not coordinated with any other type of retirement plan, except another 457(b) plan
- Participants who are age 50 or older are eligible to defer an additional amount ($5,000 for 2007) for their retirements. Age 50 catch-up does not apply to eligible 457 plans of non-governmental tax exempt employers
- Participants’ retirement assets are portable, meaning that they can be rolled between qualified plans, 403(b) plans, eligible governmental 457 plans and IRAs. Assets from eligible tax exempt 457 plans, 457(f) plans, cannot be rolled over to any plan. Roth IRAs can be rolled only to other Roth IRAs. Special rules currently apply to rollovers between Roth 401(k) and Roth 403(b) accounts. After tax contributions cannot be rolled into a 457 plan. Assets rolled into an eligible 457(b) plan from another type of retirement plan must be maintained in a separate account.
- Distributions from governmental 457(b) deferred compensation plans are subject to the same rules as qualified plans and the more restrictive constructive receipt rules have been permanently repealed for these plans.
- Roth 401(k), Roth 403(b) are now a permanent permissible feature of 401(k) and 403(b) plans; deemed IRAs are a permanent permissible feature of qualified, 403(b) and 457 plans
- Lower and moderate income participants continue to be eligible for the non refundable federal Saver’s Credit of up to $1,000 based on their contributions to a retirement plan or IRA. The PPA requires indexing for inflation the adjusted gross income limits that are used to determine eligibility for the Saver’s Credit. The indexation will occur in $500 increments beginning with the 2007 tax year. The following table identifies the adjusted gross income limits and tax filing status for the Saver’s credit for the 2007 tax year

1 based on IRS Revenue Procedure 2006-53
### 2007 Adjusted Gross Income Limits for Saver’s Credit

<table>
<thead>
<tr>
<th>Joint Filers</th>
<th>Heads of Households</th>
<th>All other filers</th>
<th>Credit Rate</th>
<th>Maximum $ amount of available*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $31,000</td>
<td>Up to $23,250</td>
<td>Up to $15,500</td>
<td>50%</td>
<td>$1,000</td>
</tr>
<tr>
<td>$31,001-$34,000</td>
<td>23,251-25,500</td>
<td>15,501-17,000</td>
<td>20%</td>
<td>$400</td>
</tr>
<tr>
<td>34,001-$52,000</td>
<td>25,501-39,000</td>
<td>17,001-26,000</td>
<td>10%</td>
<td>$200</td>
</tr>
<tr>
<td>Over $52,000</td>
<td>Over 39,000</td>
<td>Over $26,000</td>
<td>0%</td>
<td>$0</td>
</tr>
</tbody>
</table>

* based on a $2,000 maximum contribution during the tax year the credit is claimed.

- Service credit purchases under a governmental defined benefit plan can be made with direct transfers from eligible governmental 457 plans and from 403(b) plans.

- **Is there anything that plan sponsors or participants need to do as a result of the permanency of the EGTRRA provisions?**
  No. Plan documents have previously been updated to address the EGTRRA provisions. Plans will continue to be administered in compliance with the changes that were made to the plans as a result of EGTRRA and the subsequent final 457 regulations.

- **What is NRS doing?**
  Participants and plan sponsors have been informed about the EGTRRA permanency in communications from NRS including newsletters and the monthly legislative and regulatory reports. This Q&A will also be provided to internal and field associates and plan sponsors.
II. Tax Exclusion for Public Safety Officers 845: The PPA provides a new federal tax exclusion to retired public safety officers for up to $3,000 a year for qualified health and long-term care premiums

The PPA provides a new benefit for retired public safety officers. Beginning in 2007, they may elect to exclude up to a maximum of $3,000 per year from their gross income for federal income tax purposes for retirement plan distributions that are used to pay qualified health and long-term care insurance premiums.

? What types of retirement benefits are eligible for this exclusion?
Amounts that are distributed from governmental qualified defined benefit or defined contribution plans (including 401(k) plans), 403(b) plans and governmental 457(b) plans. The $3,000 exclusion is the total annual amount available from all eligible governmental retirement plans.

? Do plans have to be fully insured to be eligible?
Yes. The accident or health plan must be an accident or health insurance plan providing insurance issued by an insurance company regulated by a State including managed care organizations that are treated as issuing insurance. Therefore, if the insurance company which the participant is requesting payment to is self insured, the participant will not be eligible.

? Under what circumstance are eligible retired public safety officers eligible for this exclusion?
This favorable tax treatment is available only when the retired officer elects to have the amount subtracted from his or her distribution from an eligible government plan to pay qualified health insurance premiums. This is an optional provision. An eligible government plan is not required to offer this election.

? Who is an eligible “public safety officer”?
The definition of a public safety employee may be defined in state laws. Participants should check with their primary retirement plan system for this determination. However, an eligible public safety OFFICER is defined in federal laws for purposes of the $3,000 federal income tax exclusion as individuals serving in a public agency in an official capacity, including,

- Professional firefighters
- Individuals involved in crime and juvenile delinquency control or reduction, or enforcement of the criminal laws (including juvenile delinquency), including, but not limited to police, corrections, probation, parole, and judicial officers
- Officially recognized or designated public employee members of a rescue squad or ambulance crew
- Officially recognized or designated members of a legally organized volunteer fire department
- Officially recognized or designated chaplains of volunteer fire departments, fire departments, and police departments

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Are 911 operators, dispatchers and administrative personnel considered public safety officers?
No. For purposes of this provision, the eligible individual must be an eligible retired “public safety officer”. The IRS has defined the term “public safety officer” as an individual who is “serving a public agency in an official capacity, with or without compensation, as a law enforcement officer, a firefighter, a chaplain, or as a member of a rescue squad or ambulance crew”.

Does the participant need to be retired to be eligible for the exclusion?
Yes, the participant must have separated from service as a public safety officer by reason of disability or attainment of normal retirement age. Normal retirement age is the age at which employees can retire and receive an unreduced benefit from their pension plan. Participants who are not disabled but retire early or terminate employment before reaching the plan’s normal retirement age are not eligible for this federal income tax exclusion.

How is the determination of eligibility made?
Eligibility is based on the determination of the individual as a public safety officer and his or her attaining the plan’s normal retirement age or retiring because of disability. An Election & Authorization for Withdrawal/Employee Certification Form will need to be filled out by the eligible participant and certified by the Employer. Certification by the Employer only needs to be done on the initial request unless future guidance indicates otherwise.

Are benefits/account balances that accrue while not a public safety officer eligible to be used under this tax exclusion provision?
Yes, benefits attributable to service other than as a public safety officer are eligible for this favorable tax treatment as long as the individual is a public safety officer at the time he or she separates from service with the employer maintaining the eligible plan because of disability or attainment of the plan’s normal retirement age.

What is considered qualified health and long-term care insurance premiums?
This exclusion applies to certain insurance premiums for the participant, spouse and/or their legal dependents. Premiums to self-insured plans are not eligible for this exclusion. The policy must be issued by an insurance company that is regulated by a state insurance department. The types of insurance premiums that are eligible for this exclusion are:
- Health, dental and vision insurance coverage by an accident or health insurance plan
- Long-term care insurance policies

Can participants pay eligible premiums themselves and claim this exclusion on their federal taxes, instead of this being paid from their plan account?
No, the retirement plan must make the payment directly to the insurance provider. The Election & Authorization for Withdrawal/Employee Certification Form will contain all information needed to process the payment to the provider. Once received in good order, Nationwide will process this application if the plan has adopted this provision.

If an eligible public safety officer dies, is this favorable tax treatment available to his or her surviving spouse or dependents?
No, the exclusion does not extend to amounts subtracted from distributions to beneficiaries or other distributees.

Q. Do plan sponsors need to take any action before offering this option to eligible deferred compensation participants?
Some state laws may need to be amended to allow this deduction from employees’ retirement accounts. Upon good order receipt of the Election & Authorization for Withdrawal/Employee Certification Form and plan adoption of this provision, Nationwide will process the withdrawal. Plan Administrators and Relationship Consultants are partnering with Program Directors to gain Plan Sponsor decision on adoption of this provision for the non standard plans.

Q. What are the NRS procedures for initiating payment for qualified health and long-term care insurance from a participant’s deferred compensation account?
As previously stated, the employee will need to fill out the Election & Authorization for Withdrawal/Employee Certification Form. Once the form is received in good order, Nationwide will process the withdrawal and payments will be made from the participant’s account directly to the identified insurance carrier.

Q. Can a participant request more than $3,000 to pay for qualified health & long term care insurance premiums from their account?
Nationwide will process non taxable withdrawals of up to $3,000 requested on the Election & Authorization for Withdrawal/Employee Certification Form. If a greater distribution is needed to pay the remainder of the insurance premium, a normal distribution request will need to be filled out and submitted. For amounts in excess of $3,000, Nationwide will make the distribution payable to the PARTICIPANT, and the normal distribution rules apply.

Q. What happens if a participant submits an Election & Authorization for Withdrawal/Employee Certification Form for an amount that is greater the $3,000 annual aggregate maximum?
If the form is received in good order, and the participant has not already reached his or her $3,000 maximum, Nationwide will process up to $3,000 of the request. Nationwide representatives must then call the participant and alert them that this portion will only be processed. The remaining premiums must be paid directly by the participant and will be processed as a normal distribution request.

For example:

1) Form is filled out for $3,500. Nationwide would process the $3,000 to insurance provider. The processor must then call the participant to inform them that Nationwide is only processing $3,000 and the participant would be responsible for the additional payment to the insurance provider. If an additional request is desired to cover this amount, it would need to be requested as a normal distribution on a separate withdrawal form.

2) For multiple withdrawal requests: Form one is received on 1/15/07 for $1,200, processed & paid to Insurance provider. Form two is received on 2/15/07 for $1,200, processed & paid to the Insurance provider. Form three is received on 3/15/07 for $1,200. $600 is processed & paid to the Insurance provider and a phone call must be made to the participant to inform him or her that $3,000 was reached and the responsibility for the additional $600 payment is the participants. If an additional withdrawal from the account is needed, it must be requested through the normal distribution processes.
III. Purchase of permissive service credits 821: The PPA clarifies service credit purchases in a governmental defined benefit pension plan with funds transferred directly from a Section 457(b) or 403(b) plan.

In 2001, the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) added certain portability features to 457(b) and 403(b) plans that included the ability for participants to use their accumulated assets to purchase permissive service credits in a governmental defined benefit plan. These purchases are made as plan-to-plan transfers from 457(b) plan or 403(b) plans to the defined benefit plan retirement system. As a result of the PPA,

- The definition of service that can be purchased has been clarified to include time periods where no service has been performed (airtime)
- Service can be purchased to increase benefits even if the years of service that are being purchased are already being used to determine retirement benefits (prior employer service upon which a retirement benefit is based)
- Direct transfers from 457(b) and 403(b) plans are not subject to the limits that apply to non qualified service credit purchases
- Plan to plan transfers from 457(b) and 403(b) plans to purchase service are no longer required to be made to the governmental defined benefit plan of the same employer that is sponsoring the 457(b) or 403(b) plan
- 457(b) and 403(b) transfers become subject to the rules of the defined benefit plan
- This additional flexibility is retroactive to the effective date of EGTRRA and the Taxpayers Relief Act of 1997.

Is there anything that plan sponsors or participants need to do regarding this change?

If plan sponsors have affirmatively adopted policies that are more restrictive than the new PPA rules, they may wish to modify their policies to permit this new flexibility. However, 457(b) and 403(b) or defined benefit plan sponsors are not required to adopt this less restrictive definition of permissive service credit purchases.

What is NRS doing?

Many of our plan sponsors currently allow for purchase of permissive service credits including USCM/NACo/IAFF. If the plan does not currently allow for purchase of permissive service credits and the plan sponsor desires to permit the purchase of permissive service credits, then the plan document would need to be amended. Plan Administrators and Relationship Consultants are partnering with Program Directors to gain Plan Sponsor decision on adoption of this provision for the non standard plans.
IV. Non–Spousal Beneficiary portability 829: As a result of the PPA, non-spouse beneficiaries are permitted to have distributions they are entitled to receive from an eligible 457(b) plan, qualified plan [including a 401(k) plan], or 403(b) plan directly rolled into an IRA

Beginning in 2007 designated non-spouse beneficiaries who are entitled to a benefit payment from a qualified, 403(b) or 457(b) plan that meets the requirements of an eligible rollover distribution may elect to have these amounts directly rolled to an individual retirement account or individual retirement annuity (IRA). This IRA will be treated as an inherited IRA and subject to the IRA distribution rules that apply to beneficiaries. The IRA provider is responsible for administering the inherited IRA. The retirement plan will need to provide the IRA trustee or custodian with the name of the deceased participant, the name of the beneficiary and other applicable information the IRA trustee or custodian would need to properly administer the IRA.

? Are plan sponsors required to offer direct rollovers to non-spouse beneficiary distributions?
No, the guidance in 2007-7 clarifies that a plan is not required to offer direct rollovers to non-spouse beneficiaries.

? If the named beneficiary is a trust, is a plan permitted to make a direct rollover to an IRA established with the trust as the beneficiary?
Yes, provided the beneficiaries of the trust meet the requirements as designated beneficiaries and the IRA is established as an inherited IRA.

? Do non-spouse beneficiaries who make a rollover to an IRA have the right to stretch out distributions over the beneficiary’s life expectancy, even if the distributing plan would not have provided this right?
RMDs from the retirement plan will be paid to beneficiaries based on the terms of the plan document. Generally, a beneficiary may elect to be paid using either the Five-Year Rule or the Life Expectancy Rule if provided for in the plan document.

**Life Expectancy Rule:**
Required minimum distributions must begin no later than December 31 of the year following the year of the plan participant’s death. Generally, the distribution is based on the life expectancy of the participant’s designated beneficiary.
- RMDs must include all undistributed required minimum distributions for the year in which the direct rollover occurs and any prior years even if excise tax has been paid for missed RMDs.

**Five-Year Rule:**
Distributions are not required to be distributed from the plan until December 31 of the calendar year that contains the fifth anniversary of the date of the participant’s death.
- Any amount paid within four years of the participant’s death is eligible for rollover to an inherited IRA.
- Any amount paid between January 1 and December 31 of the fifth calendar year following the participant’s death is not eligible for rollover to an inherited IRA.
The RMD rules that applied to the plan apply to the inherited IRA. If the plan used the Five-Year Rule for payments to non-spousal beneficiaries the inherited IRA will use the Five-Year Rule.

Likewise, if the Life Expectancy Rule is used under the retirement plan for non-spousal beneficiaries, the Life Expectancy Rule is used for determining the RMD from the inherited IRA using the same applicable distribution period that would have been used under the plan if the direct rollover had not occurred.

**An exception was provided in the guidance as follows:** If the five-year rule applies, a non-spouse beneficiary may treat the plan as using the life expectancy rule if the rollover to the inherited IRA is made prior to the year following the year of the participant's death. This determination applies to the amount that can be rolled over and the required minimum distributions under the inherited IRA.

Is there anything that plan sponsors or participants need to do regarding this change? If plan sponsors have affirmatively adopted policies that are more restrictive than the new PPA rules, they must modify their policies and plan documents before this new flexibility can be permitted. In regard to participants, this may provide new awareness about updating their beneficiary designations. Plan documents are not required to be amended until 2011 for purposes of conforming to the PPA, unless future IRS guidance indicates otherwise.

What is NRS doing? Processes & procedures have been updated to address this provision. Plan documents will be reviewed and revised accordingly to recently issued IRS guidance. Plan Administrators and Relationship Consultants are partnering with Program Directors to gain Plan Sponsor decision on adoption of this provision for the non standard plans.
V. **Hardship/unforeseeable emergency withdrawals**

Hardship and unforeseeable emergency withdrawals can be permitted for approved expenses that relate to the participant's beneficiary.

Prior to the PPA, hardship and unforeseeable emergency withdrawals could only be permitted for situations of the participant, his or her spouse or dependents. The PPA modifies this requirement to allow hardship situations relating to the participant’s beneficiary, even if it is not the spouse or dependent, to also be considered when determining if the withdrawal can be approved. In other words, the participant’s designated plan beneficiary can be treated the same as a participant’s spouse or dependent when making decisions to approve or deny a participant’s hardship or unforeseeable emergency request. This makes it easier for the plan to consider financial emergency situations for a withdrawal that relate to a participant’s household that may include a domestic partner. A plan that adopts this expanded hardship and unforeseeable emergency withdrawal provisions must satisfy all other applicable requirements (e.g., withdrawal must be necessary to satisfy financial need).

Note: The 457 Model Amendments limit UE’s to the participant, participant’s spouse and dependents. Any 457 plan using the model amendment definition of a UE could retain that definition or modify it to include any participant beneficiary under the plan.

1. **Does this apply to all retirement plans that permit hardship or unforeseeable emergency withdrawals?**
   This applies to qualified 401(k), 403(b) and 457(b) plans as well as non-qualified deferred compensation plans. However, employers are not required to adopt this new provision for their retirement plans. Plan requirements can be more restrictive, but not less, than provided in federal tax laws.

2. **What is NRS doing?**
   All standard plans (including USCM/NACo/IAFF) - If a Hardship/Unforeseeable Emergency Withdrawal is requested for a designated plan beneficiary, NRS will follow the current process that is applied today (verifying that the beneficiary is on file). If a request is based on a situation affecting someone other than the participant, spouse or tax dependent & no beneficiary form is on file, the participant will be contacted to determine if this individual is intended to be a beneficiary and informed that a beneficiary designation form will be needed before the request can be processed. Processes and procedures will be updated to reflect this new guidance.

Plan Administrators and Relationship Consultants are partnering with Program Directors to gain Plan Sponsor decision on adoption of this provision for the non-standard plans.
VI. Qualified Reservists Distributions 827: Individuals called to active duty for 179 days or longer are eligible to receive a distribution from their 401(k) or 403(b) account without a 10% early withdrawal tax penalty

The PPA provides new flexibility for qualified reservists who are called into active duty for more than 179 days to take a distribution from their IRA, 401(k) and 403(b) deferral accounts without being subject to the 10% early withdrawal tax penalty for distributions made prior to age 59 1/2. To be eligible, the qualified reservist must have been called to active duty on or after September 11, 2001 and before December 31, 2007 and the distribution must be made during the active duty period. These employees may be permitted to re-contribute these distributed amounts to an IRA over a two year period beginning when they return from active duty. For example, if a qualified reservist’s active duty period ended before August 17, 2006, he or she would have until August 17, 2008 to re-contribute these distributions to an IRA. No tax deduction is available for these contributions. Presumably these re-contributions could be made to a deemed IRA under a 457 plan.

Relief from the early distribution tax is retroactive. Eligible reservists who already paid the 10% tax can claim a refund by using Form 1040X to amend their return for the year in which the retirement distribution was received.

Are 401(k) and 403(b) required to offer this early distribution option to qualified reservists?
No but it seems unlikely that a plan would not permit early distributions to qualified reservists.

- Does this apply to distributions from 457(b) deferred compensation plans?
  No. An early withdrawal penalty does not apply to 457(b) plans. The PPA did not extend the option to permit early distributions to qualified reservists from a 457(b) plan.

- Is there anything that 401(k) or 403(b) plan sponsors or participants need to do regarding this change?
  If plan sponsors want to offer this early distribution option to qualified reservists but have plan provisions that are more restrictive than the new PPA rules, they will need to modify their policies to permit this new distribution option. NRS is adopting this option for their standard plans. However, customized plans will have the option of adopting or not. Plan Administrators and Relationship Consultants are partnering with Program Directors to gain Plan Sponsor decision on adoption of this provision.

- What are the NRS procedures for initiating the waiver of the 10% tax penalty?
  A Request For Waiver of 10% Penalty For Qualified Reservists Form will need to be filled out and received in good order.

- What will be done if a participant wants to re-contribute the withdrawn amount to an eligible deferred compensation or 401(k) or 403(b) plan?
  These amounts can only be re-contributed to an IRA, not an employer sponsored retirement plan.
VII. Early withdrawal penalty in defined benefit (DB) plan not applicable to public safety employees 828: Qualified public safety officers will not be assessed the 10% early withdrawal penalty for distributions from their qualified governmental defined benefit plans after age 50.

Beginning with the date of the PPA enactment (August 17, 2006), public safety employees who receive a distribution (not an annuity payment which is the normal form of distribution from a defined benefit plan) from their qualified defined benefit pension plan (including the deferred retirement option plan or DROP) at age 50 or later will not be subject to the 10% early withdrawal penalty that might otherwise apply. Prior to the PPA, the penalty would apply distributions prior to age 55 and separation from service that were not taken as an annuity.

Note: The definition for a “qualified public safety employee” for this provision is not the same as the definition for public safety officer eligible for the $3,000 exclusion for health and long term care premiums under section 845 of the PPA. A “qualified public safety employee” means any employee of a State or political subdivision of a State whose principal duties require specialized training in police protection, firefighting services, or emergency medical services for any area within the jurisdiction of the State its political subdivisions.

? Are 911 operators, dispatchers and administrative personnel considered public safety officers?
No. For purposes of this provision, the term “qualified safety employee” means an employee of a State or of a political subdivision of the State whose principal duties include services requiring specialized training in the area of police protection, firefighting services, or emergency medical services.

? When does this exception to the 10% tax apply to a qualified public safety employee?
The eligible employee must have received the distribution from a government defined benefit plan after separating from service during or after the calendar year the employee attained age 50.

? Does the exception apply if the qualified public safety employee rolls over the distributions from the government defined benefit plan to a defined contribution plan or IRA and subsequently takes an early withdrawal that would otherwise be assessed this 10% early withdrawal penalty?
No, the exception only applies to amounts distributed from a governmental defined benefit plan.

? What is NRS doing?
Currently, there is no impact to NRS from this provision. When participants take an early withdrawal from their DB plan; they will not be subject to the 10% early withdrawal penalty. However, once rolled over to NRS, if the participant takes a distribution prior to age 59½ and the 10% penalty would otherwise be applicable, or another exception is applicable, the penalty applies.
VIII. **After-tax rollover 822:** participants in a 403(b) plan are eligible to directly rollover after-tax contributions and earnings to qualified plans or other 403(b) plans.

Beginning in 2007, after-tax distributions made from 403(b) plans will be eligible for direct rollover to qualified plans (including defined benefit plans) and other 403(b) plans. The plan administrator must agree to accept the rollover dollars and separately account for these assets. Separate accounting would include accounting separately for amounts that are not taxable (after tax contributions) and earnings (which are taxable).

Note: EGTRRA already permitted rollover of after tax contributions from defined contribution plans to other qualified defined contribution plans and traditional IRAs. Accountholders are responsible for tracking the portions of the rollover which are both taxable and non taxable. These after tax amounts cannot be rolled to a Roth IRA until after 2007.

Note: 457 Plans cannot accept any after tax money.

**What is NRS doing?**
NRS has adopted this provision for our standard plans. Procedures and processes will be modified. Plan Administrators and Relationship Consultants are partnering with Program Directors to gain Plan Sponsor decision on adoption of this provision for the non standard plans.
IX. Tax Refunds 830: **Available for calendar years beginning in 2007, taxpayers will be able to have their tax refunds directly deposited into an IRA.**

The PPA provides a new opportunity for individuals to save for retirement by allowing tax refunds to be directly deposited into an IRA.

**What is NRS doing?**
Once guidance is received from the IRS, NRS will take the appropriate steps to modify the process and procedures.
X. Plan document: Plan document amendments are not required until the last day of the plan year beginning on or after January 1, 2011.

In recognition of additional guidance that will be forthcoming from the IRS and Treasury regarding the PPA, plan sponsors are not required to amend their plan documents to address all of the various changes until 2011 unless the IRS determines that interim amendments are required for certain provisions.

1. What is NRS doing?
   Nationwide is conducting a comprehensive analysis of the PPA and will be incorporating all of the necessary changes into their standard plan documents once final IRS guidance has been issued. For plan sponsors that have customized plans, Nationwide will be working with them independently to bring their plan document into compliance before the required date.

2. When do plan documents need to be amended?
   Depending on the anniversary date of a plan, plan documents will need to be amended in calendar year 2011 or 2012. For the sake of brevity, if not clarity, it is commonly said that plan documents do not need to be amended until 2011.

3. Can the permissive (optional) provisions be offered, even though the plan documents will not be amended until a later date?
   Yes, however, permissive provisions are not required to be implemented by the plan sponsor either now or after regulations are issued. NRS has adopted the permissive provisions in this document for the standard plans.

   For the non-standard cases, Plan Administrators and Relationship Consultants are partnering with Program Directors to gain Plan Sponsor decision on adoption of the permissive provisions.

   For example, a plan sponsor is not required to permit distributions to qualified public safety officers for health insurance premiums. If the plan sponsor chooses at some time to permit such distributions, it is not required to amend its plan document immediately.

   The Pension Protection Act of 2006 is unique because there are effective dates for various provisions which span 2006, 2007, and 2008. There will be a vast period of time needed for the IRS and DOL to prepare regulations. For this reason, the amendment date of the plan documents was pushed into the future (2011).

   To the extent which provisions are mandatory, such provisions need to be implemented as required under the PPA.

   Nothing prohibits plan documents from being amended prior to 2011. The problem is that plan sponsors, administrators, participants, and regulatory agencies are working with a blank slate at this time.