Federal Legislative & Regulatory Report

December 2006

Nationwide® Retirement Solutions
On Your Side®

A quick-read version of this month's report. The full version begins on page 3.

I. Washington Update

The full article can be found on page 3.

The 109th Congress concluded its work in the early hours of December 9, passing a tax and trade package that included some last-minute provisions impacting health savings accounts (HSAs) and certain tax-break extenders.

What lawmakers didn't do, however, was address the much-needed technical corrections to the Pension Protection Act of 2006, leaving those issues for future consideration.

II. 2007 Income Limits for Saver's Credit Increased

The full article can be found on page 4.

The Pension Protection Act (PPA) made permanent the Saver's Credit that was introduced in the 2001 Economic Growth and Tax Relief Reconciliation Act (EGTRRA). It also required indexing for inflation the adjusted gross income limits to be eligible for this credit starting in 2007. We have summarized the new income limits for the 2007 tax year in a table on page 4.

III. Interim Guidance for Non Qualified Deferred Compensation

The full article can be found on page 6.

Nonqualified deferred compensation under IRC section 409A is compensation earned and deferred in one year, and includible in gross income in a future year.

IRS Notice 2006-100 provides interim guidance for deferred compensation that is not yet includible in gross income and for deferred

> While IRC section 409A rules do not apply to qualified, 403(b) or 457(b) plans of governmental employers, the rules do apply to 457(f) and other nonqualified plans, such as executive compensation plans.

compensation that has to be included in gross income for 2005 and 2006. It identifies reporting and withholding requirements for deferred compensation includible in income for 2005 and 2006, and a methodology for calculating reportable amounts for account balance and non-account balance nonqualified deferred compensation plans.

IV. DoL Asks for Help to Implement Investment Advice Exemption

The full article can be found on page 8.

The Department of Labor (DoL) issued two "requests for information" (RFIs) asking the benefits community and the public for feedback on in implementing an investment-advice statutory prohibited-transaction exemption for ERISA 401(k)-type plans and IRAs, as required by the Pension Protection Act of 2006.

Under the PPA exemption, use of an unbiased computer model is one way of providing investment advice. An independent expert must certify the computer advice model. The 401(k) RFI will help the DoL determine what expertise and procedures may be needed to qualify an expert to certify a computer model for use by 401(k)-type plans. The RFI for feedback on IRAs will help the DoL to assess the feasibility of using computer models to provide advice to IRA participants.

V. GAO Advocates Better Fee Disclosure

The full article can be found on page 10.

A recent Government Accountability Office (GAO)report, entitled "Private Pensions: Changes Needed To Provide 401(k) Plan Participants and the Department of Labor Better Information on Fees," made several recommendations to Congress for making plan fees more transparent to participants and plan sponsors.

The GAO recommends that Congress consider amending ERISA to require new fee disclosures to participants, plan sponsors and the DoL. The House Education and Workforce Committee is expected to hold hearings on the issue of participant fees and plan costs in early 2007.

VI. Recent Publications That May of Interest to Plan Sponsors

The full article can be found on page 13.

This month's report identifies certain material that plan sponsors may find useful.

VII. Subject Index to Articles Published in 2006

The full article can be found on page 14.

This month's report provides a detailed topical index of the articles and tables published over the past year. All 12 issues are available online, under the Employer section of our Web site.

I. Washington Update

The 109th Congress concluded its work in the early hours of December 9, passing final tax and trade legislation, including the Tax Relief and Health Care Act of 2006 (H.R. 6111). The President is expected to sign this Act before the end of the year (see below).

This is the first time in more than a decade that both the Senate and House have been under the control of the Democratic Party. In the House, Speaker-elect Nancy Pelosi (D-CA) has identified an ambitious agenda for the first "100 hours" that includes a focus on ethics and lobbying reform, stem cell research funding, an increase in minimum wage, and enacting recommendations that were made by the 9/11 commission.

Congress did not pass legislation to address technical corrections to the Pension Protection Act of 2006 (PPA), and there is no indication of when – or if – the 110th Congress will do so.

There are indications that there will be a new legislative emphasis on oversight of employer-sponsored retirement plans. This likely will include issues such as 401(k) plan fees and charges, revenue sharing, and expenses.

(See our discussion of a recent report from the Government Accounting Office (GAO), released earlier this month, beginning on page 10.)

Tax Relief and Health Care Act of 2006

As one of its last acts, Congress passed the Tax Relief and Health Care Act of 2006 and the President is expected to sign it soon. This legislation included several tax-break extenders as well as a provision to expand the amount of income that can be sheltered in health savings accounts (HSAs).

HSAs are designed to encourage employees to use high-deductible health plans (HDHP) in an effort to curb employers' escalating cost of health care. Employees can only contribute to an HSA if they are enrolled in an HDHP.

Under current law, the amount that can be contributed to an HSA is the individual's cost for the HDHP plan up to the annual IRC maximum, which is $2,700 for an individual or $5,450 for families.

Beginning in 2007, the Act modifies this restriction to allow individuals to contribute up to the annual IRC limit (2007 limits noted in the table on the next page), without regard to their cost for the HDHP plan.

How the Tax Relief and Health Care Act of 2006 modifies HSAs

Provision	Current	New
Employee contributions	No more than the amount of the deductible on their HDHP policy.	Up to $2,850 for individuals, up to $5,650 for families. The HDHP deductible is no longer a factor.
Employer contributions	Employers had to contribute an equal amount to all workers' HSAs.	Employers may contribute more to workers earning less than $100,000 a year.
Tax-free transfer of assets from retirement accounts	Could not be done.	One-time tax-free transfer from IRAs permitted. **NOTE:** This DOES NOT include 401(a), 401(k), 403(b), or 457(b) accounts. Permit employers, on a one-time basis, to rollover unused amounts in flexible health spending accounts (FSAs) and health reimbursement arrangements (HRAs) to employee HSAs.

Source: "Health Check: Benefits Are Added to HSAs," *The Wall Street Journal Online,* December 9, 2006; Page B4, http://online.wsj.com/article/SB116562764586645265.html.

Through other tax provisions, the Act extends and/or modifies certain tax breaks including:

- Research and development tax credit for businesses
- State sales or income tax deduction at the taxpayer's option
- Tax deductions for classroom supplies teachers buy but are not reimbursed for
- Tax deduction for college tuition.

II. 2007 Income Limits for Saver's Credit Increased

The Saver's Credit, a provision in the 2001 Economic Growth and Tax Relief Reconciliation Act (EGTRRA) is now a permanent non-refundable federal income tax credit, thanks to the Pension Protection Act of 2006. This credit is available to qualified individuals who contribute up to $2,000 annually to a 457(b), 401(k), or 403(b) plan or IRA (Roth and Traditional). The maximum annual tax credit is $1,000 and is based on an individual's adjusted gross income (AGI) and federal income tax filing status. The Saver's Credit is available to individuals who meet the following criteria:

- Are at least 18 years old and not claimed as a dependent on someone else's tax return
- Not a full-time student during the tax year
- Have an AGI that does not exceed certain limits based on their tax filing status

Any taxable distributions that the individual has received from a retirement plan account and/or an individual retirement account (IRA) for the current and previous two tax years will reduce the amount that can be received under the Saver's Credit. However, distributions that are rolled over to another retirement plan do not affect the credit. The amount of the credit that an individual is eligible to receive applies only to the amount of taxes that the taxpayer owes. If there is no tax liability for the year the credit is being claimed, the Saver's Credit will not apply.

In addition to making the Saver's Credit permanent, the Pension Protection Act indexes for inflation the adjusted gross income limits that are used to determine eligibility for the Saver's Credit. Indexing will occur in $500 increments beginning with the 2007 tax year. The following table, based on IRS Revenue Procedure 2006-53, summarizes the adjusted gross income limits for the Saver's Credit for the 2007 tax year.

2007 Adjusted Gross Income Limits for Saver's Credit

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

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

NRS Comment: Now that the Saver's Credit is permanent and indexed for inflation employers have a compelling tool to encourage lower and middle income workers to save for their retirement. Information about the 2007 income limits for the Saver's Credit, IRAs and other adjustments is available at: www.irs.gov/irb/2006-48_IRB/ar16.html.

III. Interim Guidance for Non Qualified Deferred Compensation

The Treasury and IRS recently released interim guidance – Notice 2006-100 – regarding employer reporting and tax withholding requirements under Section 409A for nonqualified deferred compensation plans for calendar years 2005 and 2006. Section 409A applies to 457(f) nonqualified deferred compensation plans. It **does not apply** to qualified, 403(b) or 457(b) plans.

Background

The American Jobs Creation Act of 2004 (AJCA) created new IRC Section 409A to govern nonqualified deferred compensation plans. This applies to compensation earned and deferred in one year and includible in gross income in a future year when there is no longer a substantial risk of forfeiture.

Nonqualified deferred compensation plans subject to IRC section 409A include, 457(f) plans, salary and bonus deferral plans, executive deferred compensation plans, various equity compensation plans and excess benefit plans and may cover employees and non employees. (See October 2004, January 2005 and December 2005 editions of this report). Nonqualified deferred compensation plans are subject to federal reporting and withholding requirements.

IRS Notice 2005-94 suspended employer and payer reporting and withholding requirements for deferrals that were includible in gross income for the 2005 calendar year. This Notice also alerted employers and payers that future guidance may require them to file corrected information returns and give payees either a W-2 (employees) or a 1099MISC (non employees) for any unreported amounts that were includible in income for the 2005 calendar year.

New Interim Guidance Issued

On November 30, 2006, the Treasury and IRS issued Notice 2006-100 to supersede IRS Notice 2005-94 and provide interim guidance for compensation being deferred and previously deferred compensation that has to be included in gross income for 2005 and 2006.

Under Notice 2006-100, employers and payers do not have to report deferrals that are not includible in income for both 2005 and 2006, but they must report deferrals that are includible on a W-2 (for employees) or 1099MISC (for non-employees). Deferrals includible in income in 2005 are reported on a 2005 W-2 or 1099MISC or corrected versions of these forms. They are not reported again on the 2006 W-2 or 1099MISC. Amounts includible in income in 2006 are reported on the 2006 W-2 (box 1 and box 12 using code Z) or the 2006 1099MISC (boxes7 and 15b).

> **NOTE:** The point here is employers cannot combine both years' reporting on the 2006 W-2 or 1099MISC.

This Notice also provides interim rules for calculating amounts includible in gross income for account balance and non-account balance nonqualified deferred compensation plans. These rules apply to both employees and non employees. They also apply to employers or other payers that must report and withhold amounts that must be included in an employee's or non employee's gross income for 2005 and 2006.

The Treasury and IRS are working on general guidance on the income inclusion requirements, additional taxes and reporting and withholding requirements for section 409A. They also are requesting comments from the public on all aspects of the nonqualified deferred compensation plan requirements, not just the topics addressed in this notice.

IRS Notice 2006-100 is available at: www.irs.gov/pub/irs-drop/n-06-100.pdf.

IV. DoL Asks for Help to Implement Investment Advice Exemption

The Employee Benefits Security Administration (EBSA) of the Department of Labor (DoL) issued two "requests for information" (RFIs) asking the benefits community and the public for feedback in implementing an investment-advice statutory prohibited-transaction exemption for ERISA 401(k)-type plans and IRAs, as required by the Pension Protection Act of 2006.

The PPA added a new prohibited-transaction exemption to the Employee Retirement Income Security Act of 1974 (ERISA) that provides investment advisers greater flexibility to give investment advice to 401(k) and IRA participants. The PPA also amended Section 4975 of the Internal Revenue Code to add an exemption from certain ERISA prohibited transaction restrictions and related taxes.

Under the PPA, one method of providing investment advice under the prohibited-transaction exemption is through the use of an unbiased computer model. The computer model must be certified by an "independent expert." The PPA requires the DoL to formulate rules for that certification.

The RFI for 401(k)-type plans asks for feedback to help the DoL determine the expertise and procedures that may be needed to qualify an "expert" to certify a computer advice model. The RFI also asks for information on the types of fee disclosure materials currently used and their usefulness to plan participants. The DoL will use this information to develop a model notice for investment-advice fee disclosure.

The second RFI applies to investment advice in an IRA. The PPA requires the DoL to solicit information from at least the top 50 IRA trustees and other providers offering computer-model investment-advice programs based on non-proprietary products. The DoL will use the information that is received to assess the feasibility of using computer models to provide advice to IRA accountholders.

How to submit comments

Written comments on the RFIs for investment advice should be submitted as follows:

RFI	By mail, addressed to	By e-mail or online
401(k) plans	The Office of Regulations and Interpretation Employee Benefits Security Administration Room N-5669 U.S. Department of Labor 200 Constitution Avenue, NW Washington, DC 20210 Attention: 401(k) Plan Investment Advice RFI	e-ori@dol.gov Subject line: 401(k) Plan Investment Advice RFI. Or through the federal e-rulemaking portal at www.regulations.gov
IRAs	The Office of Regulations and Interpretation Employee Benefits Security Administration, Room N-5669 U.S. Department of Labor 200 Constitution Avenue, NW Washington, DC 20210 Attention: IRA Investment Advice RFI	e-oed@dol.gov Subject line: IRA Investment Advice RF I. Or through the federal e-rulemaking portal at www.regulations.gov

A copy of the RFI can be found at: www.dol.gov/ebsa/regs/fedreg/notices/2006020402.htm

***NRS Comment**:* Government plans are not subject to ERISA prohibited-transaction rules and the associated exemptions or taxes imposed under IRC 4975. Nevertheless, governmental plan sponsors, including those offering deemed IRAs as part of their defined contribution plan design, may find the future DoL guidance based on these RFIs helpful in the design and structure of their investment-advice programs.

V. GAO Advocates Better Fee Disclosure

In a recent report to the House Committee on Education and Workforce, the Government Accountability Office (GAO) examined fees in private sector 401(k) plans. This report entitled "Private Pensions: Changes Needed To Provide 401(k) Plan Participants and the Department of Labor Better Information on Fees" made several recommendations to Congress for making plan fees more transparent to participants and plan sponsors.

The House Committee on Education and Workforce is expected to hold hearings on the issue of 401(k) plan fees, revenue sharing and participant costs early next year.

The GAO report noted that more American workers in the private sector are relying on their 401(k) accounts for their retirement income. According to Department of Labor data, 87% of 401(k) plans are participant-directed. This means that participants are responsible for selecting their own investments from a menu of options offered under the plan and for the investment results of their choices.

Fees are one of the many factors (as well as historical performance and investment risk) participants need to consider when selecting and investing their 401(k) money. Even small fees deducted from a participant's account over time can have a significant impact on overall retirement savings. Although participants continue to pay more of the costs associated with their retirement plans, most are unaware of these costs or amount of the fees that they pay. Most industry professionals contend that participants who are aware of the fees they pay can make informed decisions that will potentially produce greater retirement savings.

Fees – The Big Two

The GAO found that investment and recordkeeping fees make up the bulk of the 401(k) plan fees paid by participants and plan sponsors.

Investment fees account for the majority of plan fees regardless of plan size. A 2005 industry survey cited in the GAO report estimated that investment fees accounted for 84.5% of total fees in plans with 25 participants and 98.6% of total fees in plans with 2,000 participants. Participants generally pay investment fees indirectly, which reduce investment earnings.

Plan recordkeeping fees make up the second largest portion of plan fees. These may include fees for enrollment, participant account maintenance, processing participant fund selections, preparation and distribution of account statements and other administrative activities. According to the GAO, in 2005 these recordkeeping costs constituted 12% of total fees for plans with 25 participants. Recordkeeping fees were much less for larger plans because of economies of scale.

Recordkeeping fees may be:

- Charged as a percentage of assets
- Based on the number of transactions or the number of participants in the plan

- Charged as a flat fee plus a percentage of assets. (This method is primarily used in plans with low asset balances that do not generate sufficient revenue to cover actual recordkeeping costs.)

Other costs such as bank trustee fees, audit fees, legal fees, investment consulting and communication fees make up a much smaller percentage of total plan fees.

ERISA and Fee Information

ERISA plan sponsors are required to provide only limited fee information to participants. All 401(k) plans are required to provide disclosure documents to participants such as plan information (Summary Plan Description), participant account statements and the plan's financial status (Summary Annual Report). These documents are distributed piecemeal and may contain some fee information. Sponsors are not required to disclose fees paid directly or indirectly by individual participants.

Participants may have to ask for other documents such as fund prospectuses and fund profiles for more detailed fee information. None of these documents provide a simple way for participants to compare fees, along with historical investment performance and risk, among the plan's various investment options. The GAO report cites a 2004 AARP nationwide survey that found more than 80% of 401(k) participants did not know how much they pay in plan fees.

Although the Department of Labor (DoL) has the authority to oversee ERISA 401(k) plan fees and certain arrangements involving service providers, it does not have currently have the information needed to provide effective oversight of participant-directed plans. ERISA was passed during the golden age of defined benefit plans and long before the debut of 401(k) plans. In defined benefit plans, fees have little impact on participants because they do not direct plan investments, bear investment risk or pay plan expenses.

GAO Recommendations

To ensure that DoL has more effective oversight tools to enforce ERISA and to give plan participants the information they need to make informed comparisons and decisions regarding the plans' investment options, the GAO recommends that Congress consider amending ERISA to require that:

- All plan sponsors of participant-directed plans disclose fee information in a way that would make it easier for participants to compare investment options. This information could be provided using expense ratios for each investment option and providing this information annually to participants.
- 401(k) service providers disclose to plan sponsors compensation they receive from other service providers. This will help sponsors and fiduciaries ensure plan participants are not paying higher fees for products or services that do not offer any additional value or benefit than other lower cost alternatives.

- Plan sponsors provide a summary of all fees paid out of plan assets or by participants. This summary should list fees by type, in particular the investment fees being paid indirectly by participants.

The DoL currently has several projects underway to improve information that it receives on plan fees and disclosure of various business arrangements among service providers.

This GAO report is available at: www.gao.gov/new.items/d0721.pdf.

VI. Recent Publications That May of Interest to Plan Sponsors

SSA/IRS Reporter is a quarterly Social Security and IRS newsletter containing information of interest to all types of employers. Recent editions have included:

- *Tips on how to correct reporting of misclassified employees.* Employee misclassification can affect retirement plan coverage, vesting and funding. These errors may be corrected to preserve the tax benefit of retirement plans when errors are corrected under the IRS Employee Plans Correction Resolution System (EPCRS).
- *Collecting taxable benefit information.* Taxable benefits include life insurance, loans, awards, third-party sick pay, and dependent care benefits. Fringe benefits paid in cash must be included in wages and are subject to withholding when paid. Non-cash taxable fringe benefits may be considered paid at any time during the year in which they are provided.

The SSA/IRS Reporter is available at: www.irs.gov, select publication 1693.

IRS Publication 502 Medical and Dental Expenses has been revised for 2006 federal income tax returns. Medical and dental care expenses, certain insurance premiums including premiums for Medicare Part D, that exceed 7.5% of a taxpayer's adjusted gross income can be claimed on Schedule A of a taxpayer's 1040 federal income tax return.

Amounts that cannot be claimed on Schedule A are medical care expenses that have already been reimbursed from other sources and non prescription drugs. Although many workplace flexible spending accounts (FSAs) permit reimbursement for over the counter medications for medical care such as allergy pills or aspirin, the cost for non prescription drugs, except for insulin cannot be claimed on Schedule A.

This publication is available at: www.irs.gov. Select Publication 502 for 2006.

Fast Facts and Figures about Social Security, 2006 is an extremely useful publication from the Social Security Administration that answers most of the frequently asked questions about all Social Security programs. There are many helpful tables and charts including historical and current income and demographic information about recipients and benefits as well as and Social Security financing information. This publication should be an eye-opener for all those skeptics that think Social Security is no longer relevant.

This publication is available at:
www.socialsecurity.gov/policy/docs/chartbooks/fast_facts/2006/fast_facts06.pdf.

VII. Subject Index to Articles Published in 2006

Topics covered in the reports published during 2006 included a wide range of subjects--retirement plans and IRAs, the Pension Protection Act, health and welfare plans, disaster relief, GASB reporting, and legislation and regulations affecting military personnel. The following topical index lists the articles and tables we published in the 2006 Federal Legislative and Regulatory Reports.

- IRS Final regulations – November 2006

EPCRS (Employee Plans Correction Resolution System)

- IRS Revised Plan Correction Programs and Table of available programs - June, 2006
  - Corrections for Plan Loan Failures
  - Reduced Fees for programs

FMLA (Family and Medical Leave Act)

- FMLA eligibility limits for rehired employees- May, 2006

FDIC

- Coverage limits increased – March 2006
- Federal Budget Proposals for 2007 – March 2006
  - LSA, RSA ERSAs (Chart)
  - HSA Expansion
  - Social Security Private Accounts and progressive indexing of benefits

GASB

Publications and Papers Available from the GASB

- Comprehensive 2006-2007 Implementation Guide for Statements 43 and 45 – November 2006
- Why Governmental Accounting and Financial Reporting Is-And Should Be Different, online white paper – November 2006
- Reporting Medicare Part D reimbursements – March 2006

Fiduciary Topics

- DoL Proposed regulation for fiduciary relief for default investments – October 2006
- ERISA fiduciaries and mutual fund settlement funds – May 2006
- Participant advisers/investment managers are fiduciaries under DoL Advisory Opinion 2005-23A – February 2006

Health and Welfare Plans

HRAs (Health Reimbursement Arrangements)

- IRS ruling -No medical reimbursements to non-spouse, non dependent beneficiaries – September 2006
- IRS forbids HRA death benefit payments – July 2006

FSAs (Flexible Spending Accounts)

- Deadline extended for incurring FSA claims – February 2006

HSAs (Health Savings Accounts)

ERISA coverage of HSA with employer contributions – November, 2006

- IRS final regulations for employer contributions to employee HSA and Table – August 2006
  - Sub categories of HDHP coverage
  - Separate treatment for collectively bargained employees
  - Employer make-up contributions

Indian Tribal Governments

- IRS Transition relief for plans covering tribal government and commercial employees – October 2006

IRAs

- PPA 2006 – August 2006
  - Qualified military reservists can repay withdrawn deferral contributions to IRAs
  - Income tax refunds to IRAs

    - Inherited IRAs for non spousal beneficiaries
    - Plan distributions can be sent directly to Roth IRA
    - IRA income limits for contributions to be indexed
- Workplace Automatic IRAs (Savings Competitiveness Act) – April 2006
- Combat Pay included for IRA contributions purposes (HEROES) – June 2006

IRS

- 2006-2007 Guidance Priority List – September 2006
- 2005-2006- Guidance Priority List Updated – April 2006

Investments

- GAO Report on 401(k) fees – December 2006
- Fiduciary, DoL proposed regulation for Default Investments (Table) – October 2006
    - For automatic enrollment and other situations
    - Notice requirements
    - Types and requirements for permitted default investments_

Legislation Enacted

- Pension Protection Act of 2006 (PPA) – August 2006
    - Retirement Plan and IRA provision become permanent
    - Automatic enrollment
    - Investment Advice
    - IRA provisions-See IRAs
    - Public Safety workers/officers- distributions
        - 10% early distribution tax waived for distributions at age 50
        - $3,000 annual exclusion from federal income tax for retired or disabled public safety officers if payments sent directly to health or long term care insurers from the retirement plan
- HEROES, June 2006- See IRAs
- Tax Increase and Prevention Act, 2005 – June 2006
    - Roth IRA conversions regardless of income beginning in 2010
    - 3% withholding on payments to contractors from federal state and local governments
    - 15% tax rate on capital gains and dividends extended through 2010
    - Increase in exemption levels for AMT

Legislation-Proposed

- Women's Retirement Security Act – October 2006
- House and Senate Pension Reform Bills, Comparison Table – March 2006
- Savings Competitiveness Act (See IRAs) – April 2006
    - Workplace IRAs
    - Simplification of the Roth 401(k)/403(b) rules

Loans (Participant)

Affect of defaulted loan on requirements for new loans – February 2006

Military

- Final USERRA Regulations and Table – January 2006
    - Employer and Employee make-up contributions
    - Restoration of health and pension benefits for returning veterans

- HEROES- See IRAs – June 2006
- PPA-2006- Penalty- free withdrawals from deferral plans and IRA by qualified military reservists – August 2006

Mutual Funds (Trading Practices and other regulatory issues)

- Settlements- May 2006
    - DoL FAB 2006-1, Chart

Non Qualified Deferred Compensation under IRC 409A

- Effective date for regulations delayed until 12/31/2007 – October 2006
- IRS Notice 2006-100 –December 2006

Pension Simplification

- Administration 2007 Budget Proposal-LSA, RSA and ERSA comparison table – April 2006.

Retirement Savings

- GAO Report on 401(k) Plan Fees – December 2006
- DoL- booklet “Taking the Mystery Ort of Retirement Planning” for individuals within 10 years of retirement – March 2006
- Saver Summit – March 2006

Saver’s Credit

- Indexing of 2007 Adjusted Gross income limits for Saver’s Credit (Table) – December 2006
- Made permanent – November 2006

Security and Exchange Commission

- Delay of implementation of Information Requirements for Rule 22c-2 – October 2006

Social Security and Medicare

- SSA/IRS Reporter, IRS Publication 1683 – December 2006
- Fast Facts and Figures about Social Security – December 2006
- 2007 Adjustments to Social Security and Medicare
    - Withholding requirements for state, local and indicant tribal government employers, IRS Publication 963 – November 2006
    - 2007 Medicare and You - available online November 2006

VIII. Keeping watch

You can find the most recent information on issues affecting governmental defined contribution plans, plan sponsors and plan participants on the Employer page of our plan Web site, NRSforu.com. In addition, we report guidance on legislative and regulatory activity relevant to government sector defined contribution plans through:

- *Plan Sponsor Voice* quarterly newsletter, available online on the Hot Topics / News page of NRSforu.com.
- *Federal Legislative and Regulatory Report* — distributed monthly and posted on the Legislative / Regulatory tab on the Employer section of NRSforu.com. It's available online and for download.
- *Plan Sponsor Alerts* — published as needed to announce breaking news, and distributed by e-mail and posted in the Plan Sponsor Corner of NRSforu.com.

About this report

JOANN ALBRECHT, CPC, QPA, Plan Technical Consultant, our resident expert on legislative and regulatory issues, prepares this report. As a leading member of the Nationwide Legislative Task Force, She identifies how federal actions may affect your plan and its participants.

Albrecht is a member of American Society of Pension Professionals and Actuaries (ASPPA), currently serving on its Government Affairs Committee and is immediate past chair of its Tax Exempt and Government Plans Subcommittee. She also is a member of the National Association of Governmental Defined Contribution Administrators.

BOB BEASLEY, CRC, CIC, Communications Consultant, edits it. Beasley brings 17 years of financial services communications experience to your plan. He helped prepare the *457 Guidebook* and *Fiduciary Fundamentals,* edited countless newsletters and plan sponsor communications, and in 2001 authored "What you should know about the Economic Growth and Tax Relief Reconciliation Act of 2001."

Beasley serves on the Education and Communication Committee for the Profit Sharing / 401(k) Council of America and is a member of the National Association of Governmental Defined Contribution Administrators.

MARY WILLETT, President of Willett Consulting, lends plan sponsor perspective to this report. Willett served 14 years as Director of the Wisconsin Deferred Compensation Plan and was 2001/2002 President of the National Association of Government Defined Contribution Administrators (NAGDCA). She serves on the Board of Standards for the International Foundation for Retirement Education (InFRE).

NRM-2920AO.20

Nationwide® On Your Side