



Services and  
Enforcement

TAX EXEMPT &  
GOVERNMENT ENTITIES

## Employee Plans

2012 Annual Report  
2013 Work Plan

February 12, 2013

### Greetings:

Fiscal year 2012 was a busy and demanding year for Employee Plans. We're proud to present this 2012 Annual Report and our 2013 Annual Work Plan.

Some of our key fiscal year 2012 accomplishments include:

- **Lifetime Income Guidance:** We released several pieces of guidance that make it easier for retirees to receive their benefits as a lifetime income stream, minimizing the risk of outliving their savings.
- **Governmental Plans Advanced Notice of Proposed Rule Making:** We issued two pieces of guidance relating to the definition of the term "governmental plan" under IRC Section 414(d).
- **Funding Relief Guidance:** We issued two notices implementing funding relief provided in legislation passed in July, 2012.
- **401(k) Compliance Check Questionnaire Project:** We continued to analyze information on the form, features and operation of existing 401(k) plans to improve our understanding of the compliance issues in this market segment.

We accomplished these goals while continuing to deliver the services that our stakeholders expect from us. Employee Plans remains committed to providing quality service and we are continually looking at new and alternative means to achieve our goals and objectives.



As always, we look forward to working with our partners and stakeholders in the year ahead.

Sincerely,

*Robert S. Choi*

Robert S. Choi  
Director, Employee Plans

# Background

The fiscal year 2013 Employee Plans Work Plan includes four operating priorities that address Employee Plans' mission of protecting retirement plan assets and the benefits of plan participants.

An operating priority is an area of focus during the fiscal year. Management works with subject matter experts to develop strategies to ensure effective use of resources and delivery of each priority.

The Employee Plans Work Plan supports the IRS's Strategic Plan, which guides the direction of the IRS to:

- Improve service to make voluntary compliance easier, and
- Enforce the law to ensure everyone meets their obligation to pay taxes.

Employee Plans will further support these goals by investing in our people and our technology.

Employee Plans offers the Determination Letter, Voluntary Compliance and Guidance programs and services to help the retirement plans community comply with the tax law. In addition, Employee Plans offers education and outreach to the retirement plans community. Employee Plans also conducts examinations and other compliance contacts as part of an ongoing, robust enforcement program. The retirement plans community includes plan sponsors/employers, plan participants/employees and benefits practitioners.

For more information on the programs within the Office of Employee Plans, see Publication 3636, [Employee Plans](#).



# Employee Plans Fiscal Year 2013 Operating Priorities

---

Employee Plans' four operating priorities for fiscal year 2013 are:

## 401(k) Plans

Employee Plans will continue to analyze and use the data from the 401(k) questionnaire project and dialogue with 401(k) stakeholders to address compliance in the 401(k) market segment. The project results will be used to improve education, outreach and guidance to the 401(k) community, enhance EP voluntary correction programs, redesign our case selection methods and develop follow-up compliance projects to address identified issues and trends. This will include:

- Using data to design Web-based outreach products including enhancements to the *401(k) Fix-It Guide*;
- Holding focus groups with external stakeholders to clarify anomalies in 401(k) questionnaire responses;
- Evaluating suggestions from responses to the 401(k) verbatim questions to consider enhancements to guidance and EP's determination letter and voluntary compliance programs;
- Designing and implementing compliance projects (Risk Based Targeted, Learn Educate Self-correct Enforce, or Employee Plans Compliance Unit) to address specific areas of potential noncompliance and emerging issues or potential abuse; and
- Refining the 401(k) case selection process through enhanced risk modeling.

## Governmental Plans

Employee Plans will continue to partner with Federal, State and Local Governments and Indian Tribal Governments to improve service to the governmental plan community by:

- Continuing development of guidance to assist governmental plan sponsors in complying with the tax qualification requirements;
- Continuing to solicit input from the governmental plan community on published guidance;

- Processing the remaining Cycle C and Cycle E determination letter applications; and
- Analyzing how to improve the governmental plan determination letter process.

### **403(b) Plans**

Employee Plans will continue to enhance the 403(b) compliance initiative by:

- Opening the 403(b) pre-approved plan program that will assist plan sponsors in complying with the 403(b) written plan requirement;
- Partnering with 403(b) stakeholders to make improvements to the 403(b) and correction programs;
- Developing outreach products to encourage sponsors to conduct self-audits and use the Employee Plans correction programs; and
- Sharing our examination results within the 403(b) community to reduce common error trends.

### **International**

Employee Plans will contribute to the IRS-wide International Strategic Plan by:

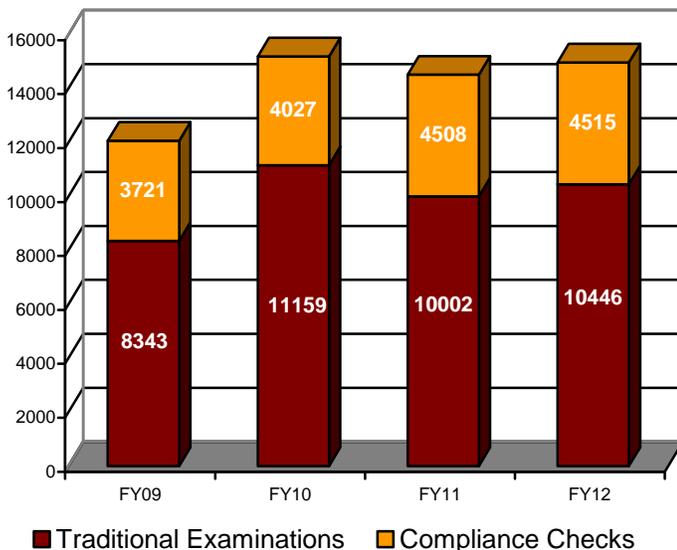
- Working with Large Business & International Division on the development of an IRS-wide international glossary to ensure a corporate approach on global and U.S. territory issues;
- Sharing knowledge and coordinating issues to ensure effective global tax administration for retirement plans under IRS jurisdiction;
- Ensuring that Employee Plans' international communications and referrals follow TE/GE operating procedures and the TE/GE Communication Plan;
- Developing educational tools and guidance to assist taxpayers with international/U.S. territory retirement plan compliance;
- Partnering with international stakeholders, including other government organizations, to enhance customer service and facilitate voluntary compliance with the tax law requirements for retirement plans;
- Designing and implementing compliance strategies to address potential noncompliance, emerging issues or potential abuse; and
- Building on completed compliance efforts and developing new global projects.

# Examinations

In addition to our regular compliance work, Examinations dedicated resources to three significant efforts in fiscal year 2012—the 401(k) compliance questionnaire and [interim report](#), international plans and abusive transactions. Additionally, Examinations continued to maintain a strong compliance presence, as the chart below illustrates.

Figure A displays the total number of returns reviewed in fiscal year 2012, including traditional examinations and the less resource-intensive compliance checks.

Figure A: Total number of returns reviewed



## Employee Plans Examinations

Over the past couple of years, we've been taking a fresh look at Customer Satisfaction survey results and considering things we can do to make the examination process less burdensome for our stakeholders. We've implemented several improvements that we hope will result in a more positive examination experience.

Employee Plans Examinations will continue to focus on customer service improvements in fiscal year 2013.



Monika Templeman  
Director, Employee Plans Examinations

The Employee Plans Compliance Unit continues to implement new projects such as:

- Frozen plans and final returns filed with reported assets;
- Verification of single-employer defined benefit plans' compliance with the PPA 2006 benefit restrictions;
- IRC Section 415 limits of small defined contribution plans;
- Eligibility of 403(b) plan sponsors after auto-revocation of their tax-exempt status; and
- Annual recertification of non-bank trustees and custodians.

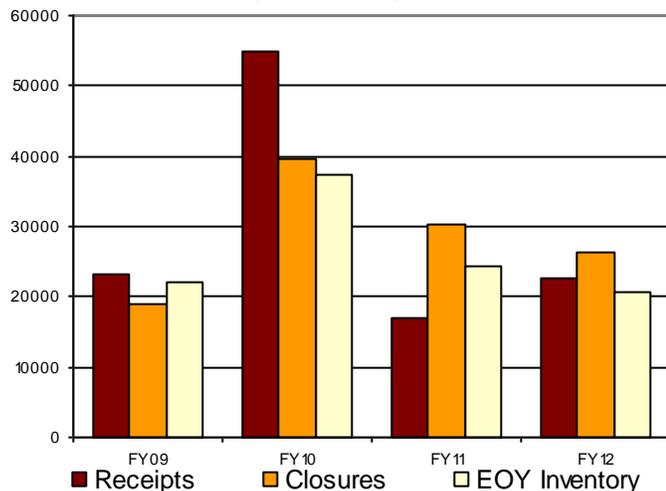
# Rulings and Agreements

In fiscal year 2012, Employee Plans Rulings and Agreements focused on:

- Implementing case processing efficiencies to increase determination case movement; and
- Addressing issues impacting the governmental plan community.

Figure B displays the historical data related to Determinations case receipts, closures and end-of-year open inventory.

Figure B: Determinations Receipts, Closures and EOY Open Inventory



Employee Plans worked with Chief Counsel and Treasury to issue guidance that provides vital information to stakeholders.

- Two advance notices of proposed rulemaking under IRC Section 414(d), relating to the definition of the term “governmental plan.”
- Two revenue rulings and two sets of proposed regulations to encourage retirement plans to offer lifetime income options to participants.
- Two notices reflecting funding relief provided by the Moving Ahead for Progress in the 21<sup>st</sup> Century Act, enacted in July 2012.

## Employee Plans Rulings and Agreements

In Determinations, during fiscal year 2012, we established an accelerated processing group, eliminated demonstrations as part of the submission package and expanded business rules to allow increased closures of Form 5307 applications. These steps allowed us to close approximately 10,000 more cases than originally planned.

During fiscal year 2013, we will continue to streamline case processing throughout Rulings and Agreements and focus on other customer satisfaction opportunities. These efforts will include expanding the efficiency of the Voluntary Correction Program by centralizing voluntary compliance submission processing in Covington, KY.



Joyce Kahn  
Acting Director, Employee Plans Rulings and Agreements

# Customer Education and Outreach

Employee Plans maintained its core educational activities while continuing to produce targeted outreach products. In fiscal year 2012, Employee Plans' Customer Education and Outreach office:

- Redesigned and continued to update the Retirement Plans Web page;
- Completed 13 Phone Forums reaching about 14,000 stakeholders;
- Presented 410 speeches and exhibiting events, including the IRS Nationwide Tax Forums, reaching over 152,000 customers;
- Posted videos, including Tips for Completing Your Voluntary Compliance Program Submission on Appendix F;
- Updated the 401(k) Fix-It Guide on how to correct non-amender failures; and
- Published infographic flyers to promote retirement plan participation, proper maintenance and the voluntary correction of plan errors.

## Employee Plans Phone Forums

Phone forums offer a free, convenient way to get information on important topics. *A sample of topics produced in FY 2012:*

- MAP-21: Changes to Segment Rates (September, 2012)
- Lifetime Annuity Guidance (August, 2012)
- Governmental Plan Proposed Guidance (May, 2012)
- Funding-Based Benefit Restrictions (February, 2012)

Transcripts of the phone forums are posted on the IRS website at [www.irs.gov/retirement](http://www.irs.gov/retirement).

## Employee Plans Customer Education and Outreach

We're going to push hard in fiscal year 2013 to do more of what we do best – inform, explain and educate. We will continue to update our Web pages using the redesigned [irs.gov](http://irs.gov). We will develop innovative ways to reach our customers through virtual means and we will continue to support Examinations and Rulings and Agreements to promote voluntary compliance.



Mark O'Donnell  
Director, Customer Education and Outreach

## Employee Plans Newsletter Subscriptions

Figure C gives an overview of numbers of stakeholders reached through Employee Plan's newsletters in fiscal years 2010, 2011 and 2012.

Figure C: Employee Plans education and outreach efforts

Newsletters	FY10	FY11	FY12
Employee Plans News subscribers	96,582	146,137	154,315
Retirement News for Employers subscribers	88,237	137,726	146,511