

PENTEGRA Your AdvantEDGE

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2021 Retirement Plan Limits

The IRS has announced the 2021 limitations for retirement plans and related programs.

Plan Limits	2021	2020
401(k) Elective Deferral Limit	\$19,500	\$19,500
Catch-Up Contribution Limit	\$6,500	\$6,500
Annual Defined Contribution Limit	\$58,000	\$57,000
Annual Compensation Limit	\$290,000	\$285,000
Annual Defined Benefit Limit	\$230,000	\$230,000
Highly Compensated Employee Dollar Limit	\$130,000	\$130,000
Key Employee Dollar Limit	\$185,000	\$185,000
Related Limits		
403(b)/457 Elective Deferral Limit	\$19,500	\$19,500

SIMPLE Employee Deferral Limit	\$13,500	\$13,500
SIMPLE Catch-Up Deferral Limit	\$3,000	\$3,000
SEP Minimum Compensation Limit	\$650	\$600
SEP Annual Compensation Limit	\$290,000	\$285,000
Social Security Taxable Wage Base	\$142,800	\$137,700
Self-only HSA Contribution Limit	\$3,600	\$3,550
Family HSA Contribution Limit	\$7,200	\$7,100
HSA Catch-Up Contribution Limit	\$1,000	\$1,000
IRA Contribution Limit	\$6,000	\$6,000
IRA Catch-Up Contribution Limit	\$1,000	\$1,000

Pentegra Retirement Plan Trends Study

We know that all businesses have been impacted in some way—some large, some small—by the COVID-19 crisis. Our recent client study provided us with an opportunity to hear directly from many of you and capture what you have been experiencing over the last few months.

We are pleased to share what we've learned from our conversations with you in the [**2020 Pentegra Retirement Plan Trends Study.**](#)

We've highlighted key takeaways from our study below.

- Clients are finding new ways to reach their customers online and making adjustments to how and when they do business.
- The trend toward organizational speed and agility, digital communication, virtual meetings and remote work environments will continue.
- Given the blurred line between work and home life, clients shared concerns about employee stress levels and mental health along with their own stress levels.
- Retirement Security and market volatility are large sources of concern for employees.
- Clients recognize that offering a retirement plan is important to their business, but have little time to devote to the details of managing their plans—more so today given the challenges they face than ever before.
- As more employers seek to improve plan success and retirement readiness, expectations are clearly rising with regard to fulfilling fiduciary responsibilities.
- Now more than ever, our clients shared how much they value having fiduciary assistance to help navigate these unprecedented circumstances.



Thank you for your feedback, for being a valued client and for being a part of this important conversation. Feel free to contact your Relationship Management Team with any questions or if we can help during this time.



The Securing a Strong Retirement Act of 2020

On October 27th, legislation was introduced in the House of Representatives which has important implications for retirement plans.

The [Securing a Strong Retirement Act of 2020](#) includes provisions ranging from expanding coverage and increasing retirement savings, to preservation of income, simplification and clarification of retirement plan rules, to technical and administrative provisions.

The legislation seeks to build on the Setting Every Community Up for Retirement Enhancement (SECURE) Act, enacted in December 2019 and was introduced as a result of the impact of the COVID-19 crisis on retirement savings.

The Act includes key provisions designed to help employees save more and save earlier by:

- **Expanding automatic enrollment** in retirement plans by enrolling employees automatically in their company's 401(k) plan when a new plan is created;
- **Modifying the start-up credit** for small employer pension plans;
- **Increasing the existing Saver's Credit** for contributions to a retirement plan or IRA by creating a single credit rate of 50%, and increasing the maximum credit amount from \$1,000 per person to \$1,500 as well as increasing the maximum income eligibility amount;
- **Expanding retirement savings options for non-profit employees** by allowing 403(b) plans to join together to offer retirement plans to their employees in multiple employer plans (MEPs);
- **Allowing a higher catch-up limit**, providing greater flexibility to older individuals to set aside savings as they approach retirement beginning at age 60 from \$6,500 to \$10,000;
- **Expanding SIMPLE retirement plan limits** at age 60 to \$5,000 from \$3,000;
- **Increasing the required minimum distribution** age to 75;
- **Allowing individuals to receive an employer match** in their retirement plans for paying down a student loan;
- **Providing a safe harbor for corrections** of employee elective deferral failures;
- **Reducing the excise tax** on certain accumulations in qualified retirement plans;
- **Making it easier for employees to find lost retirement accounts** by creating a national, online, database of lost accounts; and
- **Expanding the Employee Plans Compliance Resolution System** (allowing more types of errors to be corrected internally through self-correction).

Pentegra applauds this legislation and will continue to monitor this legislation and keep you posted on the impact to your retirement plan.



SECURE Act Changes Loom

Check These Items Off Your To-Do List

Remember 2019? It was in December of that year (which seems very long ago now) that the SECURE Act was signed into law.

Today, as COVID-19 continues raging around the world, the SECURE Act may have slipped off your radar. But make no mistake, it is still out there —

and it does require your attention. In general, plan sponsors have until the last day of the 2022 plan year (December 31, 2022, for calendar-year plans) to adopt the amendments

required by the Act. However, operational compliance is required during the period between the actual plan amendment date and the effective date for the Act's required changes.

Here are just two of the items that will need the attention of 401(k) plan sponsors.

Eligibility For Long-Term Part-Timers

In the decades prior to the SECURE Act, plans could set a year of service for eligibility purposes at a minimum of 1,000 hours worked during a plan year. Under the SECURE Act, the required hours have been reduced. Employees who are at least 21 years old and who work at least 500 hours in three consecutive 12-month periods must be allowed to make salary deferrals in the 401(k) plan. The definition of a year of vesting service is also changing to reflect the 500-hour minimum, rather than the former 1,000 hours in a plan year requirement. These rules become effective for plan years that begin after December 31, 2020.

While these long-term, part-time employees will be able to make salary deferrals, they are not required to be included in employer matching contributions or other contributions from the employer.

This is a forward-, not backward-looking, provision. Sponsors should start tracking the hours of their part-time staff for the plan year beginning after December 31, 2020. Workers who accumulate at least 500 hours of service during the first, second and third years after that date must be allowed to begin salary deferrals in the plan during the subsequent plan year. For a calendar year plan, then, deferrals would be allowed during the 2024 plan year from employees with at least 500 hours of service in 2021, 2022 and 2023.

It is worth noting that employees included in the plan only because of this provision—those with less than 1,000 hours of service — do not need to be included in the plan's nondiscrimination tests, including top-heavy testing. As before, employees with at least 1,000 hours of service and who meet the plan's age requirement must be included in the tests.

Lifetime Income Disclosures

Along with disclosures about vesting status and investments, plans will soon be required to include a new disclosure about lifetime income. To meet this requirement, the disclosure must describe the participant's balance in terms of a monthly annuity that could be purchased with the participant's account balance. By December 20, 2020, the U.S. Department of Labor (DOL) expects to release interim rules, including a model disclosure statement and assumptions on which the annuity figure should be based. As long as the disclosure meets legal requirements, the plan and its fiduciaries will be protected against liability arising from it. Expect the first disclosure to be required 12 months after the DOL issues its interim rules, likely sometime during 2021.



Women and Retirement: Expectations Met or Missed?

As of late March 2020, the number of Americans expressing confidence in their ability to live comfortably in retirement was at near-record highs. Of course, since that time pandemic-related market flux may have changed the numbers. Because many surveys covering retirement are conducted only once

a year, with results released several months after the information is gathered, we won't fully understand the impact on retirements for some time.

Still, one study conducted early in 2020, the 30th Annual Retirement Confidence Survey conducted by the Employee Benefits Research Institute (EBRI) and discussed in their Issue Brief dated June 8, 2020, provides some interesting information. Companies striving to help women achieve a secure retirement may be particularly interested.

Women Face Different Challenges In Saving

While overall retirement confidence was high, women expressed less confidence in their future retirement security than their male counterparts. The problems women face in preparing for retirement tend to be different than are those of working men, the study says. Often, women earn less than men do, they take breaks from the workforce to handle parenting and other family responsibilities, and they often live longer.

Differences Also Evident By Marital Status

The results may be further broken down by marital status. Among married working women, 76% said they are very or somewhat confident they will have enough money to retire comfortably. In comparison, 43% of divorced women and 51% of never-married women expressed the same level of confidence. The disparity seems to also be due, at least in part, to lower levels of assets held by each group. About 72% of divorced women reported less than \$25,000 in retirement assets, compared to 54% of never-married women. Add debt to the equation — where 74% of divorced women and 67% of never-married women said debt is a problem — and it's easy to see why women are less confident.

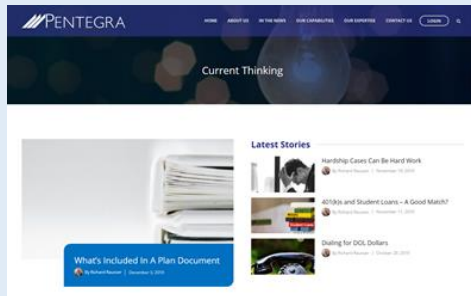
To help close the confidence gap, EBRI suggests that more specialized information and help planning for retirement, and even with everyday financial issues, is needed. Women who are dealing with the financial fallout of a divorce or the death of a spouse may need particular attention. When reviewing your service providers, this could be a good topic to explore. How do the provider's communication materials address the varying situations faced by your workforce? Can the materials be targeted to different groups? By working together to find these answers, the gaps may start to shrink.

Read more at <https://tinyurl.com/EBRI-2020-RCS>



Annual Plan Deadlines Brochure

With yearend approaching, we've created an Annual Plan Deadlines brochure for calendar year plans. View the brochure [here](#).



Recent Blogs

- [Form 5500 in 2021: What We Know Now](#) - A blog by Rich Rausser
- [The Importance of Plan Compliance](#) - A blog by Chuck Coldwell
- [A Brave New Digital World](#) - A blog by Rich Rausser

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