TIMELY ISSUES &
ANNUAL REMINDERS

ANNUAL PLAN LIMITATIONS

The IRS has released the updated retirement plan limitations for the 2026 Plan Year. The 401(k) and 403(b) Deferral Contribution Limits for the 2026 Calendar Year are as follows:

- Born in 1977 or later: $24,500
- Born before 1977: $32,500 (includes $8,000 Catch-Up)
- Born between 1963 and 1966: $35,750 (includes $11,250 “Super” Catch-Up).

*Beginning in 2026, individuals with more than $150,000 of W-2 compensation in 2025 must make all Catch-Up Contributions on a Roth (after-tax) basis. Please confirm with your payroll provider that they will properly monitor and apply this rule.

**The “Super” Catch-Up applies only to employees aged 60–63.

Following is a summary of other relevant limitations for the 2025 and 2026 Plan Years:

	2025	**2026**
Profit Sharing (Under 50/50 or Older) (includes 401(k) deferrals and “Catch-Ups”)	**$70,000/$77,500/ $81,250**	**$72,000/$80,000 $83,250**
Defined Benefit Plan (Annual Benefit)	**$280,000**	**$290,000**
Maximum Annual Plan Compensation	**$350,000**	**$360,000**
"Highly-Compensated” Employee Compensation (for following plan year)	**$160,000**	**$160,000**

NEW UPDATES

Active Plan Participant List: Beginning with the 2025 Calendar Year, we will no longer issue an annual Active Plan Participant list, as most payroll providers now handle this reporting through Form W-2. Please coordinate with your payroll company to ensure accuracy. If there are any questions, please contact our office.

New Payment System: We have implemented a new billing system, which includes a click-to-pay option. We will be sending invoices via email. Clients can choose to pay via ACH (no fee) or credit card (credit card processing fee applies). We will continue to accept checks, as well.

ANNUAL REMINDERS

Automatic Enrollment- Some 401(k) Plans adopted in the past few years now require that eligible employees be automatically enrolled unless they opt out or change their deferral percentages. If your plan is subject to this requirement, we will be in touch to discuss the process.

Long-Term Part-Time Employees (LTPTEs)- 401(k) Plans are required to offer LTPTEs the opportunity to make their own 401(k) Deferral Contributions from pay. No employer contributions are required for LTPTEs. LTPTEs are those who don't otherwise satisfy a plan's eligibility, but who have worked over 500 hours in two consecutive years starting in 2021 or later.

Retirement Plan Mandate- Many states have enacted mandates for employers to adopt some sort of employer-sponsored retirement plan. As long as a company sponsors any type of retirement plan (e.g., 401(k), profit sharing, etc.), these mandates are satisfied and avoid having to utilize the state's plan with very low contribution limits and very rigid investment alternatives.

Retroactive Plan Adoption- Employers can adopt a retirement plan retroactively, as long as they do so by their tax filing due date, with extension. This allows employers to decide after the end of a year to adopt a plan for the prior year, including a Defined Benefit, Cash Balance, or Profit Sharing Plan. Certain employers can also retroactively adopt 401(k) Plans.

401(k) Deferral and Loan Repayment Deadlines- Sponsors of 401(k) plans must ensure that all employee 401(k) deferrals and loan repayments are deposited as soon as possible, but **no later than the seventh business day following the day such deferrals or loan repayments are withheld from pay**. The IRS and DOL can assess **substantial fees** for noncompliance.

Plan Distributions and Loans- It is important that employers do not permit distributions or loans to be made to participants without the input of Heller Pension Associates, Inc. Employers should contact us if any participant requests a distribution or loan of his or her plan benefits.

Reducing Potential Fiduciary Liability- There are several methods to reduce potential fiduciary liability for plan sponsors and trustees. However, plan sponsors should be wary of companies that promise "complete protection," as there is no way to completely eliminate plan sponsor responsibilities as fiduciaries. Regardless of whether a plan offers participants the option of choosing their own investments, plan sponsors should use prudence in selecting and monitoring the plan investments, should build an "audit file" documenting the regular review of the investments and any changes thereto, and should ensure that the plan investments are diverse.

Related Businesses- Even subtle changes to the ownership structure of a business, or to the other businesses owned by any individuals (or their family members) who have ownership in the business that sponsors your retirement plan, could result in two or more businesses being deemed to be related for retirement plan purposes. This could have a substantial impact on the operation of the plan and contributions thereto. **Please contact us with any change in the ownership structure** or change in address of any of your businesses or those of your immediate family members.

Leased Employees- Some employers lease their employees through leasing organizations or use PEOs. These leased employees need to be covered by the employer's retirement plan(s) and should be included in the annual census and payroll data that you provide to us.

Prohibited Transactions- The law prohibits individuals and companies related to the plan or plan sponsor from participating in certain transactions with the plan or its assets. Substantial penalties and possible plan disqualification could occur if these rules are not followed. Please contact us with any questions prior to completing a contemplated transaction that may result in a prohibited transaction.

QDROS (Qualified Domestic Relations Orders)- When a participant in a retirement plan goes through a divorce, his/her plan benefits may become subject to division. There are special rules that must be followed to properly comply with applicable law. Please contact our office when you are notified that a participant's plan account needs to be divided.

Unrelated Business Taxable Income- Certain investments made in retirement plan accounts and IRAs can trigger a special tax, known as the "Unrelated Business Income Tax." This tax is applicable, even though the plan is exempt from normal income taxes until the assets are distributed. It is imperative that you inform us of any of the following investments in your plan accounts: (i) any non-publicly traded business (especially any entity that could be deemed to hold inventory), (ii) any nontraditional investment (e.g., real estate) where the plan obtained financing for part or all of the investment, or (iii) partnership interests (for which you should be receiving K-1s and should provide them to us).

Identity Theft and Cyber Security- With the rise of identity theft threats, we're taking increased precautions to help our clients combat these threats. For plans where we handle the distribution process, we now require participants who are withdrawing more than $7,000 to provide a copy of their driver's license or other government-issued photo ID along with their withdrawal paperwork. If you ever get distribution instructions from us and you have any concerns that the withdrawal paperwork might have been submitted by an imposter, please contact us immediately. We also offer a secure portal to upload any sensitive information.

Plan Documentation- Our firm maintains the plan documentation for your plan and creates all required restatements and amendments. Please be sure to execute all documentation that we send to your company and return copies to our office. These plan document maintenance services are part of our annual services.

Missing Participants: The account balances for plan participants who cannot be located must remain in the plan. In cases where participants cannot be located by the investment platform, we can coordinate searches through an independent company. To expedite this process and to avoid any fees, it's advisable to retain updated records for all former employees, including home addresses, email addresses and cell phone numbers. You can also speak with the former employee's colleagues to try to obtain more current information.

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If you have any questions regarding these or other issues relating to retirement plans, please feel free to contact our office. We would also be happy to schedule a call or Zoom meeting to discuss any questions that you may have regarding your retirement plan or other retirement plan options that may be available.