

2020 Benefits Update

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Recent Legislation and Other Guidance

SECURE Act

- Increases in maximum automatic elective contribution limit from 10% to 15%
- Safe Harbor Nonelective Plans
 - No notice requirement
 - Plan amendment permitted any time before 30 days prior to the close of the plan year for 3% contribution; after the 30th day, 4% required

SECURE Act

- 401(k) plans -- New service requirements
 - Long-term PT employees eligible for salary deferrals after three consecutive 12-month periods if work at least 500 hours in each period
 - If eligible for salary deferrals, not required to be eligible for nonelective or matching contributions

SECURE Act

- 401(k) plans -- new service requirements
 - ***For eligibility*** – Start tracking hours for 12-month periods beginning in 2021.
 - ***For vesting – Must track hours for 12-month periods prior to 2021.*** All 12-month periods in which the PT employee works at least 500 hours must count for vesting.

SECURE Act

- Penalty-free withdrawals, up to \$5,000, for qualified births and adoptions (optional).
 - Must be made within one year after the date of birth or date adoption is finalized.
 - Participant must include the name, age, and TIN of the child or adoptee on tax return.
 - Not subject to mandatory 20% withholding.

SECURE Act

- Penalty-free withdrawals, cont'd
 - **May** be permitted from qualified defined contribution plans, 403(b) plans, *governmental* 457(b) plans and IRAs.
 - “Eligible adoptee” includes child under age 18 or physically/mentally incapable of self support; **does not** include stepchild.

SECURE Act

- Penalty-free withdrawals, cont'd
 - Each parent may receive withdrawal; multiple withdrawals permitted for multiple births or multiple adoptions.
 - Can recontribute distribution back to the same retirement plan or IRA; treated as rollover.

SECURE Act

- Age for required minimum distributions increased from age 70-½ to age 72.
- Modifies post-death required minimum distribution rules; 10-year distribution period for certain beneficiaries.
- Lifetime income illustrations next year.

CARES Act

- Penalty-free withdrawals of up to \$100,000 from qualified retirement plans and IRAs.
 - May be repaid at any time over three years *or* included in income over three years.
 - Participant/family member diagnosed with COVID-19, or participant experienced adverse financial consequences.

CARES Act

- Increased loan limits to \$100,000 or 100% of account balance for loans made through September 22, 2020.
- One-year delay in loan payments through December 31, 2020 (also extends terms).
- Required minimum distributions waived

CARES Act

- Health Plans
 - High-deductible health plans can cover telehealth and other remote care services and cover COVID-19 testing at no cost.
 - Generally applies for expenses incurred during 2020 and 2021.

CARES Act

- Cafeteria Plans

- Mid-year changes to elections permitted.

- Prospectively change or revoke election for coverage under employer's group health plan.
 - Prospectively change or revoke election under health care and/or dependent care flexible spending account.
 - Employer can choose to permit and/or limit changes.

CARES Act

- Cafeteria Plans
 - For plan years or grace periods ending in 2020, unused amounts in flexible spending accounts can be made available through December 31st.
 - Must carefully coordinate with any carryover.
 - May affect ability to make contributions to HSAs.

CARES Act

- Cafeteria Plans
 - Over-the-counter medications and certain other supplies may be reimbursed.
 - Carryover limit increased to \$550.
 - Amendments required by December 31, 2021.

Extended Periods

- Certain deadlines extended until 60 days after end of the COVID-19 National Emergency (the “Outbreak Period”).
 - When will it end???

Extended Periods

- Deadlines extended:
 - 30-day election period for special enrollment under a group health plan.
 - Date for providing COBRA election notice.
 - 60-day COBRA election period.
 - Due date for timely paying initial and monthly COBRA premiums.

Extended Periods

- Deadlines extended, cont'd:
 - Date by which an individual must notify the plan sponsor of a qualifying event or a determination of disability.
 - Dates for filing a benefit claim, appeal request for an external review.

Relief for Notices

- Relief for failing to timely provide notices, disclosures or documents during the Outbreak Period.
 - Must act in good faith and furnish the materials as soon as possible.
 - Can include providing materials through emails, texts and website access.

Other Impacts of COVID

- Furloughs impacting salaries...
 - Reduced value for life insurance
 - Reduced value of disability
 - Potential to work with insurance companies to utilize pre-COVID compensation levels

Other Impacts of COVID

- Vacation Balances
 - Employees are not taking vacation.
 - Larger than expected vacation carryover.
 - Policies permitting cash-out can lead to unexpected tax liability for employees.
 - Consider reviewing/revising your current policy to reflect current needs.

Other Impacts of COVID

- COVID Leave Donation
 - Allows charitable contribution of unused leave.
 - Tax deduction goes to employer, not employee.
 - Contribution not wages to employee.

Other Impacts of COVID

- COVID Leave Donation, cont'd
 - Must be donated for COVID-19 victim relief.
 - Must be contributed prior to January 1, 2021.
- Medical emergency and major disaster leave sharing options still available.

Other Impacts of COVID

- Women leaving the workforce.
- More interest in Telehealth, mental health benefits and EAPs.

Cost-of-Living Adjustments

- Deferrals unchanged (\$19,500 base + \$6,500 catch up)
- Annual Addition is DC plans increases to \$58,000 and Annual Compensation Limit increases to \$290,000
- HCE level unchanged (\$130,000)
- Social Security Taxable Wage Base increased to \$142,800.
- Medical Flexible Spending Account remains \$2,750
- HSA contribution limit will be \$3,600 for self-only and \$7,200 for family coverage (up \$50).

Presenters



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