Many New Changes And Offerings Impacting Employee Benefit Plans In 2020

Wesley Covert and Chad DeGroot
12.23.2019

A number of changes and new legislation will be impacting your company's employee benefit plans in 2020. Here is a summary of the highlights of what is to come in the new year.

Upcoming Legislation Impacting Employee Benefits

On December 20, 2019, President Trump signed legislation into law which provides for expansive spending measures and governmental funding but also includes many changes impacting employee benefits.

Impact on Health Care Benefits

The legislation repeals the following taxes:

- The 40 percent excise tax on high-cost health plans (the Cadillac tax);
- The medical device tax (after December 31, 2019); and
- The tax on health insurance providers (after December 31, 2020).

The legislation also reauthorizes funding for the Patient-Centered Outcomes Research Institute (PCORI) for another 10 years. This means that self-insured group health plans and health insurers must continue to pay fees to fund this institute. Under the ACA, fees would not have been owed for plan years ending after September 30, 2019. This bill changes "2019" to "2029," extending the requirement to pay these fees for another 10 years.

Attorneys

Wesley H. Covert

Chad R. DeGroot

Practice Areas

Counseling and Transactional

Employee Benefits and Executive Compensation

Many New Changes And Offerings Impacting Employee Benefit Plans In 2020

Impact on Retirement Benefits

The legislation includes the long-awaited retirement plan bill, the Setting Every Community Up for Retirement Enhancement (SECURE) Act. The SECURE Act makes numerous changes to the Internal Revenue Code and the Employee Retirement Income Security Act (ERISA) to encourage savings. Among other changes, it will:

- Provide relief from the nondiscrimination rules for closed defined benefit plans, effective as of the date of enactment and various retroactive dates;
- Promote "open" defined contribution (DC) multiple-employer plans;
- Relax auto-enrollment rules;
- Encourage lifetime-income options in DC plans;
- Makes it easier to allow long-term, part-time employees to participate in elective deferrals;
- Allows consolidated filings of Forms 5500 for similar plans;
- Allows penalty-free distributions from qualified retirement plans and IRAs for births and adoptions;
- Increase the age for the required beginning date for mandatory distributions from age 70½ to age 72, effective for distributions required to be made after December 31, 2019, for individuals who reach age 70½ after that date; and
- Require individual account plans to include lifetime income disclosures in their annual periodic benefit statements, effective for statements furnished more than 12 months after the Department of Labor issues its guidance on the matter.

New Options for Health Reimbursement Accounts

Effective January 1, 2020, employers have the option to offer individual coverage HRAs (ICHRAs) and excepted benefit HRAs (EBHRAs), where previously such HRAs generally were not permissible or workable under the Affordable Care Act (ACA). In the case of an ICHRA, employer provided HRA funds may be used to reimburse an employee's purchase of individual health insurance coverage or Medicare. This provides a valuable option for employers—especially small and mid-sized employers—that would prefer to assist employees in purchasing their own insurance, as opposed to sponsoring a health plan. In the case of an EBHRA, HRA funds may be used to reimburse medical expenses or an employee's purchase of excepted benefits, such as dental or vision insurance, but only if, among other things, the employee also has the option to enroll in a non-excepted group health plan.

LANER MUCHIN[SM]
The Workplace Intelligence Firm

401(k) Hardship Distributions

Effective January 1, 2020, 401(k) plans may no longer apply a six-month suspension on employee contributions to the plan following a hardship distribution. Plans providing hardship distributions that have not yet been amended in this regard will require an amendment.

403(b) Remedial Amendments

The IRS issued guidance permitting employers to retroactively self-correct 403(b) plan document failures. Entities sponsoring 403(b) plans have until March 31, 2020, to "clean-up" any plan document failures retroactive to as early as January 1, 2010 (or, if later, the date the 403(b) plan was adopted). Due to the lack of IRS guidance since 403(b) plan documents were first required to be in writing beginning January 1, 2009, it is expected that many plans may need correction. Even if the plan document itself is compliant as written, many sponsors may find that they failed to timely adopt one or more amendments that were legally required for 403(b) plans since 2010.

2020 IRS Cost-of-Living Adjustments

The charts below show some of the IRS inflation-adjusted limitations on benefits for 2020 and how they compare to 2019:

Retirement Plans

Limit

2019

2020

Annual Compensation

$280,000

$285,000

Elective Deferrals

$19,000

$19,500

Defined Benefit Plan Limit

$225,000

$230,000

Defined Contribution Plan Limit

$56,000

$57,000

Highly Compensated Employee

$125,000

$130,000

Social Security Taxable Wage Base

$132,900

$137,700

Health and Welfare Plans

Limit

2019

2020

Out-of-Pocket Maximum

$7,900 individual

515 North State Street, Suite 2400, Chicago, Illinois 60654 t: 312.467.9800 f: 312.467.9479

$15,800 family

$8,200 individual

$16,400 family

FSA Contributions

$2,700

$2,750

HSA Contributions

$3,500 individual

$7,000 family

$3,550 individual

$7,100 family

HDHP Minimum Deductible

$1,350 individual

$2,700 family

$1,400 individual

$2,800 family

HDHP Maximum Out-of-Pocket

$6,750 individual

$13,500 family

$6,900 individual

$13,800 family

Transportation Fringe Exclusion

$265/month

$270/month