2014 ERISA Limits & Guide

Employer Retirement Plans: Tax Advantaged Accounts

The information provided herein is for quick reference only. All ERISA, IRS and DOL rules and requirements are complex and require additional data not included here. Please contact Employee Benefits Consultants for further information relating to your retirement plan question.

SIMPLE IRA salary deferral contributions	
Under age 50	$12,000
Age 50 and above * Includes $2,500 catch-up contribution	$14,500*

Required employer contributions

- Match 100% up to 3% of employee compensation. May be reduced to no less than 1% for any 2 years during a 5 year period; or
- Provide a non-elective contribution of 2% of compensation for all eligible employees. A maximum compensation of $260,000 applies.

SEP IRA contribution limits

- Discretionary employer contributions of up to the lesser of $52,000 or 25% of employee compensation (or 20% of net earnings from self employment).
- A maximum compensation of $260,000 per employee applies.

401(k)/403(b) contribution limits

Salary deferral	
Under age 50	$17,500
Age 50 and above * Includes $5,500 catch-up contribution	$23,000*

Maximum contributions

- Maximum total contributions per employee, including salary deferral, are limited to the lesser of $52,000 or 100% of compensation. A maximum compensation of $260,000 applies.
- *Maximum total contribution* includes 401(k), profit sharing and match, which in total cannot exceed the single limit.

Highly compensated & key employee

Highly compensated employee

A highly compensated employee is an individual who:

- Owns more than 5% of the interest in the business at any time during the year or the preceding year, irrespective of compensation; or
- For the preceding year, received compensation from the employer of more than $115,000, and if the document provides, was in the top 20% of employees based on compensation.

Key employee

A key employee is an employee who is:

- An officer of the employer with annual compensation greater than $170,000, or
- A 5% owner of the employer, or
- A 1% owner of the employer with annual compensation of more than $150,000.

Minimum "401(k) Safe Harbor" employer contribution options

Non-elective contributions – 100% vested

- A minimum of 3% of pay
- Satisfies ADP testing

Matching contributions – 100% vested

- Basic match: 100% of the first 3% of compensation contributed plus 50% of the next 2% of compensation contributed; or
- Enhanced match: 100% of the first 4% of compensation contributed.
- Satisfies ADP and ACP testing

Defined benefit plan

Contributions to a defined benefit plan are based on what is needed to provide definitely determinable benefits to plan participants, or the annual benefit. The annual benefit cannot exceed the lesser of 100% of the participant's average compensation for the highest 3 consecutive years or $210,000.

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Retirement Plan Reference Guide

Participant loan limitations

Maximum amount allowed:*

- 50% of vested account balance or $50,000*, whichever is less.

* $50,000 limitation is reduced by the difference between the outstanding loan balance in the past 12 months, less the current outstanding loan balance.

Repayments:

- Within 5 years (30 years if for primary residence).
- Payments of principal and interest required at least quarterly.

Participant Termination & Defaults:

- Plan may or may not allow employee to make loan payments after separation.
- Loan default causes a taxable event reportable to IRS and may be subject to the 10% early withdrawal penalty if less than age 59 ½.

Hardship distributions for 401(k) and 403(b)

Definition:

A distribution from a plan made on account of an immediate and heavy financial need of the employee. The amount must be necessary to satisfy the financial need. The need of the employee may include the need of the employee's spouse or dependent.

A plan may offer hardship distributions. If the plan provides the ability to do so, the plan must provide specific criteria used to make the determination of hardship but must do so applying nondiscriminatory and objective standards.

Maximum amount:

Cannot be more than the amount of the employee's total elective contributions, including ROTH, as of the date of distribution reduced by the amount of previous distributions of elective contributions. Generally does not include earnings, qualified non-elective contributions or qualified matching contributions. Discretionary profit sharing contributions or regular matching contributions may be distributed if the plan so provides.

PBGC requirements – defined benefit only

Mandatory insurance coverage for defined benefit plans but excludes professional service employers with fewer than 26 active participants (doctors, lawyers, CPAs, etc.)

Flat Rate Premium: $49 per-participant for single employer plans

Variable Rate Premium: $14 per $1000 of unfunded vested benefits plus $412 per-participant cap.

Common annual plan testing terms

ADP Test: Actual Deferral Percentage Test

The ratio of deferral percentages (i.e. deferral/compensation) for each eligible participant is calculated and averaged for the group of HCEs and for the group of NHCEs. To pass, the HCE ADP cannot exceed the NHCE ADP by more than the lesser of 1) 2X the NHCE ADP, or 2) 2+ the NHCE ADP.

ACP Test: Actual Contribution Percentage Test

The ratio of contribution percentages (i.e. matching contribution/compensation) for each eligible participant is calculated and averaged for the group of HCEs and for the group of NHCEs. To pass, the HCE ACP cannot exceed the NHCE ACP by more than the lesser of 1) 2X the NHCE ACP, or 2) 2+ the NHCE ACP.

Top-heavy

A plan is top-heavy if the total account value of key employees exceeds 60% of the total account value of all employees in the plan. When a plan is top-heavy, contributions must be made for all non-key employees equal to the lesser of 3% of compensation or a percentage equal to the highest contribution rate of any key employee. Plans consisting solely of ADP and ACP safe harbors are deemed not top-heavy.

Plan implementation deadlines

SIMPLE IRA: October 1

SEP IRA: As late as the due date (including extensions) of the employer's income tax return for the year employer wants to establish the plan.

401(k), 403(b) & defined benefit plans: No later than the last day of the plan year of the year in which first effective (typically 12/31).

Safe Harbor 401(k): 401(k) plans providing for a safe harbor component must be implemented no later than 3 months prior to the plan year end to be effective for the current plan year. This deadline would apply to any current profit sharing (only) plan that adds a 401(k) and safe harbor feature, as well as to any newly implemented 401(k) plan that will provide for a current year safe harbor provision.

Contribution deposit deadlines

For tax deduction purposes: By the due date or extended due date of the employer's tax return.

For compliance purposes: Safe Harbor contributions must be deposited by the last day of the following plan year.

For plans subject to minimum funding requirements: Defined benefit and money purchase plans must make required minimum funding contributions within 8 ½ months following the plan year end.