

## Internal Revenue Service

### 2015 Cost of Living Adjustments Announced

On October 23, 2014, the Internal Revenue Service released Information Release 2014-99.

[http://www.irs.gov/uac/Newsroom/IRS-Announces-2015-Pension-Plan-Limitations;-Taxpayers-May-Contribute-up-to-\\$18,000-to-their-401%28k%29-plans-in-2015](http://www.irs.gov/uac/Newsroom/IRS-Announces-2015-Pension-Plan-Limitations;-Taxpayers-May-Contribute-up-to-$18,000-to-their-401%28k%29-plans-in-2015)

The 2015 dollar limits are as follows:

<b>LIMIT</b>	<b>2015</b>	<b>2014</b>
<b>Defined Benefit Plans</b> The maximum dollar limitation for annual benefits under defined benefit plans under Internal Revenue Code (IRC) Section 415(b)(1)(A). EGTRRA amended this limitation for annual benefits to the lesser of \$160,000 (as adjusted for inflation) or 100% of the participant's average compensation for his high 3 years.	\$210,000	\$210,000
<b>Defined Contribution Plan 415 dollar limit</b> The dollar limitation for annual additions under defined contribution plans under IRC Section 415(c)(1)(A). EGTRRA amended this limitation on annual additions, which is the lesser of \$40,000 (as adjusted for inflation) or 100% of compensation.	\$53,000	\$52,000
<b>401(k)/403(b)/Existing SARSEP Elective deferral limit</b> The limitation on cumulative elective deferrals to a 401(k), 403(b) tax deferred annuity, simplified employee pension, and SIMPLE retirement plan in a tax year, as coordinated under IRC Section 402(g)(1).	\$18,000	\$17,500
<b>457 Deferral Limits</b> The limitation on deferrals to 457 plans under IRC Section 457(e)(15). EGTRRA amended this contributions limitation under an eligible 457 deferred compensation plan to be the lesser of 100% of includible compensation or the year's applicable dollar limit.	\$18,000	\$17,500
<b>403(b) Catch-up limit</b> The maximum available 402(g) elective deferral limit plus the special catch-up election for employees participating in a 403(b) tax deferred annuity who have had at least 15 years of service with an educational organization, hospital, home health agency, health and welfare service agency, church or convention or association of churches. Note: The additional 403(b) special catch-up of up to \$3,000 per year cannot exceed cumulatively \$15,000 over the lifetime of the 403(b) participant.	\$21,000	\$20,500

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**LIMIT****2015****2014**

\$36,000

\$35,000

**457 Catch-up limit**

The special catch-up election for employees participating in an eligible 457 deferred compensation who have elected the special catch-up available in the three years prior to the year of normal retirement age.

*Note: The participant in a governmental 457(b) plan may make catch-up contributions in a year equal to the greater of (a) the amount permitted under the age 50+ catch-up rule, or (b) the amount permitted under the normal retirement age catch-up rule.*

**Age 50+ Catch-up Limits**

The special catch-up available under Internal Revenue Code (IRC) Section 414(v) for individuals at least 50 years old in 2014 and make eligible pre-tax contributions to 401(k), 403(b), and governmental 457 plans.

\$6,000

\$5,500

The special catch-up is available for individuals who are at least 50 years old in 2014 and make eligible pre-tax contributions to a SIMPLE plan.

\$3,000

\$2,500

**Definition of Key Employee**

The compensation threshold used for determining key employees under IRS Section 416(i)(1)(A)(i).

\$170,000

\$170,000

**Definition of Highly Compensated Employees**

The compensation threshold used for determining highly compensated employees under IRC Section 414(q)(1)(B).

\$120,000

\$115,000

**Compensation Limit**

The annual limit of compensation that may be taken into account for contribution purposes in accordance with IRC Section 401(a)(17) (nongovernmental plan sponsors).

\$265,000

\$260,000

The annual limit of compensation that may be taken into account for contribution purposes in accordance with IRC Section 401(a)(17) (governmental plan sponsors).

\$395,000

\$385,000

**Adjusted Gross Income Limit for Saver's Credit**

The highest adjusted gross income (based on federal income tax filing status) taken into account for eligibility for the Saver's Credit.

\$61,000

\$30,500

\$45,750

\$60,000 (joint)

\$30,000 (single)

\$45,000 (head of household)

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**LIMIT****2015****2014****SIMPLE Retirement Accounts**

Compensation taken into account that an employee may elect to defer under a SIMPLE retirement plan described in IRC Section 408(p)(2).

\$12,500

\$12,000

**Compensation for SEPs**

Compensation taken into account to determine eligibility for simplified employee pensions (SEPs).

\$600

\$550

**Guidance Permits Lifetime Income Provided Through Target Date Funds in Section 401(k) Plans and Other Qualified Defined Contribution Plans**

Notice 2014-66, which was published October 24, 2014, permits qualified defined contribution plans to provide lifetime income by offering, as investment options, a series of target date funds (TDFs) that include deferred annuities among their assets, even if some of the TDFs within the series are available only to older participants. <http://www.irs.gov/pub/irs-drop/n-14-66.pdf>. As long as certain specified conditions are fulfilled, a series of TDFs in a defined contribution plan is treated as a single right or feature for purposes of the nondiscrimination requirements of 401(a)(4). Therefore, the TDFs satisfy the nondiscrimination requirements as they apply to rights or features even if one or more of the TDFs considered on its own would not satisfy those requirements. This is a voluntary plan feature.

As explained in the Treasury Department press release <http://www.treasury.gov/press-center/press-releases/Pages/jl2673.aspx>, J. Mark Iwry, Senior Advisor to the Secretary of the Treasury and Deputy Assistant Secretary for Retirement and Health Policy, said:

*As boomers approach retirement and life expectancies increase, income annuities can be an important planning tool for a secure retirement. Treasury is working to expand the availability of retirement income options for working families. By encouraging the use of income annuities, today's guidance can help retirees protect themselves from outliving their savings.*

As outlined in the notice, TDFs may include annuities allowing payments, beginning either immediately after retirement or at a later time, as part of its fixed income investments, even if the funds containing the annuities are limited to employees over a specified age. Plans can offer TDFs that include such annuity contracts either as a default or as a regular investment alternative.

It is important to note that the Phyllis Borzi, Assistant Secretary, Department of Labor, Employee Benefits Security Administration, confirmed in a letter to J. Mark Iwry that TDFs serving as default investment alternatives may include annuities among their fixed income investments. <http://www.dol.gov/ebsa/pdf/il102314.pdf>

The selection of the unallocated deferred annuity contracts satisfies the requirements of ERISA if the designated investment manager satisfies all pertinent conditions of the annuity selection safe harbor. Further, Borzi states that:

*The plan sponsor, as the appointing fiduciary, must prudently select the investment manager and monitor the selection at reasonable intervals, in such manner as may be reasonably expected to ensure that the investment manager's performance has been in compliance with the terms of the Plan and statutory standards, and satisfies the needs of the Plan.*

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## IRS Publishes Three Newsletters

**Retirement News for Employers – October 2, 2014** - [http://www.irs.gov/pub/irs-tege/rne\\_1014.pdf](http://www.irs.gov/pub/irs-tege/rne_1014.pdf)

Articles include the following:

- **Steps to take when starting a plan, information on tax credits available when starting a plan, along with resources** to help compare retirement plans available.
- Operating a plan, including checklists and fix-it guides to help maintain plan compliance and correct errors.
- Steps to take when terminating a plan, as well as information on determining whether there has been a partial plan termination.
- Updated information on steps to take when seeking missing participants and beneficiaries.
- Calendar dates for filings due from October 2, 2014 – February 2, 2015.

**Employee Plan News – October 15, 2014 Issue: 2014-16** - [http://www.irs.gov/pub/irs-tege/eptn\\_2014\\_16.pdf](http://www.irs.gov/pub/irs-tege/eptn_2014_16.pdf)

The articles below contain comprehensive information on the following topics:

- **New Single Distribution Rule for Retirement Plans** – Starting on January 1, 2015, a distribution directed to multiple destinations by a participant can be treated as a single distribution for allocating pre-tax and after-tax basis, in accordance with Notice 2014-54. <http://www.irs.gov/pub/irs-drop/n-14-54.pdf> Note that transition rules apply. Plan participants in 401, 403(b) and 457(b) governmental retirement plans will be able to:
  - roll over amounts to both a Roth IRA and a non-Roth IRA,
  - allocate the pre-tax amount of the distribution to the non-Roth IRA and the after-tax amount to the Roth IRA, and
  - avoid having to pay income tax on pre-tax amounts rolled over to the non-Roth IRA.
- **IRS Simplifies Procedures for Favorable Tax Treatment on Canadian Retirement Plans and Annual Reporting Requirements** – According to IR-2014-97 <http://www.irs.gov/uac/Newsroom/IRS-Simplifies-Procedures-for-Favorable-Tax-Treatment-on-Canadian-Retirement-Plans-and-Annual-Reporting-Requirements>, which discussed Revenue Procedure 2014-55 <http://www.irs.gov/pub/irs-drop/rp-14-55.pdf>, many Americans and Canadians with registered retirement savings plans (RRSPs) and registered retirement income funds (RRIFs) now automatically qualify for tax deferral similar to that available to participants in U.S. individual retirement accounts (IRAs) and 401(k) plans. As explained in the Information Release, U.S. citizens and resident aliens qualify for this special treatment as long as they filed and continue to file U.S. returns for any year they held an interest in an RRSP or RRIF and include any distributions as income on their U.S. returns.
- **Mandatory Electronic Filing for Certain Form 8955-SSA and 5500-series Returns** – Explains the regulations requiring require filers who have to file at least 250 returns with the IRS during the calendar year to file Form 5500-series returns and Form 8955-SSA electronically.

**Employee Plan News – October 27, 2014 Issue 2014-17** - [http://www.irs.gov/pub/irs-tege/eptn\\_2014\\_17.pdf](http://www.irs.gov/pub/irs-tege/eptn_2014_17.pdf)

This issue provides links to the Cost of Living Adjustments (COLA) Increases for Dollar Limitations on Benefits and Contributions. <http://www.irs.gov/Retirement-Plans/COLA-Increases-for-Dollar-Limitations-on-Benefits-and-Contributions>

In addition, plan sponsors with individually-designed plans and EINs ending in 4 or 9 have a January 31, 2015 deadline to amend their plans for the 2013 Cumulative List and apply for a determination letter. <http://www.irs.gov/Retirement-Plans/Submission-Procedures-for-Individually-Designed-Plans-5-Year-Remedial-Amendment-Cycle>

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## IRS News in Brief

IRS Revises 401(k) Compliance Checklist – The IRS revised Publication 4531 *401(k) Compliance Checklist*. <http://www.irs.gov/pub/irs-pdf/p4531.pdf> Released on October 9, 2014, the checklist, which is intended to help plan sponsors meet all compliance requirements, adds questions on whether top-heavy minimum contributions were made and whether Form 5500, Annual Return/Report of Employee Benefit Plan, was filed.

IRS Revises 403(b) Compliance Checklist – Publication 4546 *403(b) Compliance Checklist* has been republished. <http://www.irs.gov/pub/irs-pdf/p4546.pdf>

Retirement Plan Reporting and Disclosure Requirements Guide Updated – On October 17, 2014 the IRS published the updated *Retirement Plan Reporting and Disclosure Requirements Guide*, which was prepared by the IRS as a quick reference tool for certain basic reporting and disclosure requirements for retirement plans under the IRC and ERISA. [http://www.irs.gov/pub/irs-tege/irs\\_reporting\\_disclosure\\_guide.pdf](http://www.irs.gov/pub/irs-tege/irs_reporting_disclosure_guide.pdf) As stated in the introduction, the Guide is not intended to be an exhaustive list and should be used in conjunction with the DOL *Retirement Plan Reporting and Disclosure Guide*. <http://www.dol.gov/ebsa/pdf/rdguide.pdf>

Draft Instructions for Form 5329 Posted – The IRS posted draft instructions on October 22, 2014 Form 5329, *Additional Taxes on Qualified Plans (Including IRAs) and Other Tax-Favored Accounts*. This form is used to report additional taxes on IRAs, other qualified retirement plans, modified endowment contracts, Coverdell education savings accounts, qualified tuition programs, Archer medical savings accounts and health savings accounts. The draft instructions were posted to the Internal Revenue Service website October 22, 2014.

IRS Releases Early Draft of Form 5500-SUP – On October 21, 2014, the IRS released an early draft of Form 5500-SUP, *Annual Return of Employee Benefit Plan Supplemental Information*, which is intended to be filed for the 2015 plan year. <http://www.irs.gov/pub/irs-dft/f5500sup--dft.pdf> Draft instructions have yet to be released. Specific details on nondiscrimination tests, contribution totals and in-service distributions are among the questions in the form.

New Form 5498A Included in 2015 Early Draft 1099 Instructions – New Form 5498-A, *Qualified Longevity Annuity Contract Information*, is expected to be used to report the status of longevity annuity contracts held by defined contribution plans, IRAs, and eligible governmental plans, to participants. <http://www.irs.gov/pub/irs-dft/i1099gi--dft.pdf>.

## Department of Labor

### Analysis of 2012 Form 5500 Data Released

Dated October 2014, the Department of Labor Employee Benefits Security Administration published a *Private Pension Plan Bulletin Abstract of 2012 Form 5500 Annual Reports*. <http://www.dol.gov/ebsa/pdf/2012pensionplanbulletin.pdf> This 71 page report represents a macroeconomic analysis of important trends in retirement plans, including the shift from defined benefit retirement plans to defined contribution retirement plans. Below is information extracted from the summary:

- The number of DC plans decreased by .8 percent.
- DC plan assets increased by 11 percent to \$4.26 trillion.
- The number of active participants in DC plans increased to 75.5 million in 2012, up from 73.7 million in 2011.
- The number of 401(k) type plans increased from 513,000 to 516,000 in 2012. The number of active participants in 401(k) type plans grew by 3 percent.

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- The number of 401(k) type plans increased from 513,000 to 516,000 in 2012. The number of active participants in 401(k) type plans grew by 3 percent.
- DC plan contributions increased by 6.9 percent to \$352.8 billion.
- Disbursement of \$333.9 billion from DC plans represented an 11.5 percent increase.
- DC plans disbursed \$19 billion less than they received in contributions.
- Among the 516,000 401(k) type plans in 2012, 87.8 percent allowed participants to direct investment of all of their assets, 3.1 percent allowed participants to direct investment of a portion of their assets, and 9.1 percent did not allow any participant direction.

## The 40th Anniversary of ERISA Celebrated

On October 21, 2014, the Employee Benefits Security Administration hosted a 40th anniversary roundtable, during which current and former EBSA leaders discussed how ERISA impacted workers and the workplace over its first four decades, and where it may be headed. Secretary of Labor Thomas E. Perez delivered the opening remarks. Part I can be watched at <https://www.youtube.com/watch?v=RUF5vsA> and Part II can be found at <https://www.youtube.com/watch?v=DovJYO7wfo>.

## ERISA Advisory Council Recommendations to be Voted on November 4, 2014

As explained in a Notice dated October 24, 2014, the Employee Benefits Security Administration and the ERISA Advisory Council will consider and vote on November 4, 2014 on recommendations on topics studied in 2014. <https://www.federalregister.gov/articles/2014/10/24/2014-25444/174th-meeting-of-the-advisory-council-on-employee-welfare-and-pension-benefit-plans-notice-of> Among the topics to be voted on include (1) Issues and Considerations around Facilitating Lifetime Plan Participation, and (2) Outsourcing Employee Benefit Plan Services.

## Social Security Administration

### 2015 Cost of Living Adjustments Announced

On October 22, 2014, the Social Security Administration released its cost of living information for 2015 <http://www.ssa.gov/news/#!/post/10-2014-2>:

Taxable Wage Base	2015	2014
Maximum amount of earnings subject to payroll tax	\$118,500	\$117,000

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