

COST OF LIVING ADJUSTMENTS FOR 2027 ARE HERE!

On November 12, 2026, the IRS announced the Cost of Living Adjustments (COLAs) affecting the dollar limitations for retirement plans for 2027.

The Social Security Administration announced a 3.6% benefit increase, which is the largest increase in five years. Retirement plan limits also increased over the 2026 limits. COLA increases are intended to allow participant contributions and benefits to keep up with the "cost of living" from year to year. Here are the highlights from the new 2027 limits:

- The calendar year elective deferral limit increased from $24,500 to $25,500.
- The elective deferral catch-up contribution increased to $8,500. This contribution is available to all participants aged 50 or older in 2027. A higher catch-up limit of $11,750 is available in 2027 for participants aged 60-63.
- The maximum available dollar amount that can be contributed to a participant's retirement account in a defined contribution plan increased from $72,000 to $75,000. The limit includes both employee and employer contributions as well as any allocated forfeitures. For those over age 50, the annual addition limit increases to include catch-up contributions.
- The maximum amount of compensation that can be considered in retirement plan compliance has been raised from $360,000 to $375,000.
- Annual income subject to Social Security taxation has increased from $184,500 to $192,300.

Annual Plan Limits	2027	2026	2025
Contribution & Benefit Limits			
Elective Deferral Limit	$25,500	$24,500	$23,500
Catch-Up Contributions (age 50-59 & over 63)	$8,500	$8,000	$7,500
Catch-Up Contributions (age 60-63)	$11,750	$11,250	$11,250
Annual Contribution Limit	$75,000	$72,000	$70,000
Annual Contribution Limit including Catch-Up Contributions (age 50-59 and over 63)	$83,500	$80,000	$77,500
Annual Contribution Limit including Catch-Up Contributions (age 60-63)	$86,750	$83,250	$81,250
Annual Defined Benefit Limit	$300,000	$290,000	$280,000

Annual Plan Limits	2027	2026	2025
Compensation Limits			
Maximum Plan Compensation	$375,000	$360,000	$350,000
Income Subject to Social Security	$192,300	$184,500	$176,100
Key Employee Compensation Threshold	$245,000	$235,000	$230,000
Highly Compensated Employee Threshold	$170,000	$160,000	$160,000

Annual Plan Limits	2027	2026	2025
IRA Limits			
SIMPLE Plan Elective Deferrals	$17,500	$17,000	$16,500
SIMPLE Catch-Up Contributions	$4,000	$4,000	$3,500
Individual Retirement Account (IRA)	$7,500	$7,500	$7,000
IRA Catch-Up Contribution	$1,100	$1,100	$1,000

Employers' Year-End Checklist

2026 was a very busy year for your retirement plan. Plan administration experienced several shake-ups, including mandatory Roth characterization for certain catch-up contributions, mandatory paper statements, and revised SECURE 2.0 plan amendment dates. As the end of the plan year approaches, it's time to ensure that your processes satisfy any new requirements.

Employers who sponsor a qualified retirement plan should also evaluate whether their plan design continues to support organizational objectives, employee needs, and efficient plan administration. A checklist of items to address with your plan experts this year is a great place to start.

Mandatory Roth Catch-Up Contributions

SECURE 2.0 required certain catch-up contributions to be made on a Roth basis beginning in 2026. Notably, catch-up eligible participants whose prior-year FICA wages from the employer sponsoring the plan exceed the applicable threshold ($150,000 in 2025 for determining Roth treatment in 2026) must make catch-up contributions as Roth. This requirement extends to the special catch-up contributions available to participants ages 60 to 63.

Some exceptions exist for individuals with no prior-year FICA wages from the sponsoring employer, such as sole proprietor or partner owners who don't receive W-2 income.

Because the mandatory Roth catch-up rules are new, employers should ensure a thorough process for handling these contributions. If, in 2026, a participant who should have been subject to mandatory Roth treatment made a catch-up contribution that was deposited to the plan on a pre-tax basis, the IRS would view the error as an operational failure. If you discover that an error was made, you should promptly inform us. As with all aspects of compliance, early correction is important in the event of an IRS examination. As your TPA, we can assist with corrections.

Paper Statements

As plans increasingly rely on electronic delivery, SECURE 2.0 amended retirement plan benefit statement laws to ensure that participants can continue to receive plan information via paper statements. In general, for plan years beginning after December 31, 2025, defined contribution plans, including 401(k) plans must furnish at least one benefit statement on paper each calendar year. Defined benefit pension plans must furnish at least one paper benefit statement every three years.

In the case of participant-directed 401(k) plans that already provide quarterly statements, unless an exception applies, one of those statements needs to be on paper; the other three may be delivered electronically.

The rule includes important exceptions. Participants who have affirmatively elected electronic delivery or who otherwise satisfy certain electronic disclosure requirements may not be subject to the annual paper statement mandate. Understanding how your service providers are addressing compliance with this new rule



is key. Employers should understand how their service providers are implementing the requirement and which participants remain subject to paper delivery.

BREAKING: SECURE 2.0 Amendments

On September 16, the IRS issued a clarification regarding the SECURE 2.0 plan amendment signing deadline. While the December 31 deadline for optional provisions was reinforced, the IRS acknowledged that certain required SECURE amendments may have later deadlines once additional guidelines are issued.

As your TPA, if we are responsible for maintaining your plan document, you can expect us to navigate the amendment process as it evolves. It is important to be careful to follow the guidance we provide on this and similar issues. If you have questions about this, please contact us.

Other Plan Amendments and Design

Plan amendments support both compliance and improved participant outcomes.

Employers should periodically confirm that plan provisions align with actual administrative practices and address any inconsistencies before they become compliance concerns.

Employers should also assess whether the plan's eligibility and participation requirements continue to meet the needs of their staff. Changes in hiring patterns, workforce structure, or employee demographics may create opportunities to simplify eligibility provisions or expand access to retirement benefits. Providing employees with a retirement plan that is easy to understand and access can reinforce the organization's commitment to employee financial wellness.

Employer contributions and vesting schedules should be reviewed periodically to ensure they remain aligned with compensation and talent objectives. Adjustments can enhance benefit value while supporting business goals.

Employers should periodically review plan features that create administrative complexity and determine whether design changes could simplify processes.

Reviewing participant feedback, enrollment rates, and utilization trends can identify opportunities to better meet participant needs.

Finally, while not directly related to plan design, effective ongoing communication to staff regarding their retirement benefits and how they'll work in 2027 is essential. Employees are more likely to appreciate and utilize plan enhancements when they understand how the changes affect their retirement planning opportunities. Clear, timely communication via Annual Notices can help reduce confusion and increase engagement.

Final Checklist

Let's distill all of these considerations into a checklist of items to confirm with your plan experts:

- SECURE 2.0 amendments are finalized
- Annual Participant Notices have been delivered (including paper benefit statements for those required to receive paper)
- Plan document provisions have been reviewed
- Payroll processes are updated with SECURE 2.0 provisions (e.g. Roth catch-up for HPIs, Age 60-63 super catch-ups, and Long-Term Part-Time employee enrollment)

An annual plan checklist is more than just a series of to-dos. Reviewing these items with your experts provides an opportunity to ensure your retirement plan remains aligned with organizational goals, operational practices, and participant needs. By taking a proactive approach, employers can strengthen their retirement programs while positioning both the plan and its participants for future success.

IRS Notice 2026-49: New Guidance for Rollovers

In August, the Treasury Department and IRS released Notice 2026-49, which proposes guidelines designed to simplify and modernize the retirement plan rollover process.

Rollovers are among the most common transactions in the retirement industry—especially as many workers will change jobs multiple times throughout their careers. However, the Government Accountability Office (GAO) has consistently identified the rollover process as inefficient and confusing. Rollover procedures often vary significantly among recordkeepers, IRA providers, and retirement plans, with much of the burden falling on plan participants.

Participants attempting to roll funds over to another plan or IRA must frequently navigate the process with little guidance as they track down information, complete paperwork, and otherwise act as intermediaries between financial institutions. In many cases, these participants are still issued physical checks that must be forwarded to the receiving institution, increasing the risk of delays or even lost funds.



To address these challenges, Notice 2026-49 provides draft sample forms and proposes standardized rollover procedures designed to simply the rollover process:

- Standardize the information exchanged between distributing and receiving plans.
- Reduce participant involvement after the initial rollover request and encourage direct communication between plans.
- Promote the use of secure, encrypted electronic transactions whenever possible.

Under the proposed procedures, distributing and receiving plans would communicate directly regarding specific aspects of the rollover after the participant initiates the process.

Five-Step Rollover Process

The proposal suggests a five-stage procedure for handling rollovers:

1. The participant submits a rollover request to the receiving plan.
2. The receiving plan contacts the distributing plan and provides authorization from the participant.
3. The distributing plan verifies eligibility and confirms the rollover information.
4. The receiving plan chooses the transfer method.
5. The distributing plan transfers assets directly to the receiving plan.

The model is intended to create a more streamlined process similar to that used for IRA-to-IRA transfers.

Electronic Transfers

The Treasury Department emphasizes the use of electronic methods for transmitting rollover assets, such as ACH, electronic platforms or clearinghouse networks, wire transfers, and other secure technologies. When electronic transfers are unavailable, the proposal recommends that checks be made payable directly to the destination plan and mailed directly to the receiving institution rather than to the participant.

The IRS notes that paper checks are substantially more likely to be lost, stolen, delayed, or altered than electronic payments and cites broader federal initiatives encouraging electronic transactions.

What Should I Do?

The proposed procedures and suggested forms are currently voluntary. The IRS is not providing any safe-harbor protection at this stage; however, future guidance could grant relief to plans that adopt the new standardized process. Plan sponsors and service providers may wish to review the optional sample forms and proposed procedures while monitoring for future IRS guidance.

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Upcoming Compliance Deadlines for Calendar-Year Plans

December 1

Participant Notices – Annual participant notices due for Safe Harbor elections (note that some plans are no longer required to distribute Safe Harbor notices), Qualified Default Investment Arrangement (QDIA), and Automatic Contribution Arrangements (EACA or QACA).

December 15

Summary Annual Report – Deadline to distribute the Summary Annual Report if Form 5500 was filed by October 15.

December 31

ADP/ACP Corrections – Deadline for a plan to make ADP/ACP corrective distributions and/or deposit qualified nonelective contributions (QNEC) for the previous plan year.

Optional Amendments – Deadline to sign optional amendments to the plan, subject to certain exceptions.

Required Minimum Distribution (RMD) – The first RMD can be taken by December 31, 2026 or may be delayed until April 1, 2027. For participants already receiving RMDs, the distribution is due by December 31, 2026.

Contribution Funding – Final funding deadline for 2025 plan year end. See your tax advisor for the year of deductibility.

January 31

IRS Form 945 – Deadline to file IRS Form 945 to report income tax withheld from qualified plan distributions made during the prior plan year. The deadline may be extended to February 10 if taxes were deposited on time during the prior plan year.

IRS Form 1099-R – Deadline to distribute Form 1099-R to participants and beneficiaries who received a distribution or a deemed distribution during the prior plan year.

IRS Form W-2 – Deadline to distribute Form W-2, which must reflect the aggregate value of employer-provided employee benefits.