

IslerDare_{PC}

Employee Benefits Update December 1, 2021

2021 Year-End Compliance Checklist

As 2021 comes to an end, we want to remind you of some key year-end compliance deadlines for retirement, health and welfare plans.

✓	DECEMBER	
	1 st	Distribute a 401(k)/403(b) Plan Safe Harbor Notice if safe harbor matching contributions will be made in 2022. The annual notice is required to avoid the ADP/ACP nondiscrimination testing requirements.
	1 st	Distribute a 401(k)/403(b) Plan Automatic Enrollment Notice if your defined contribution plan will include an automatic enrollment feature in 2022. The notice must describe, among other items, the level of contributions that will be automatically deducted from each employee's paycheck unless the employee makes an affirmative election to do otherwise.
	1 st	Distribute a Qualified Default Investment Alternative ("QDIA") Notice describing the QDIA, if your defined contribution plan provides that participants' accounts will be invested in a QDIA unless they direct otherwise.
	15 th	Distribute the Summary Annual Report ("SAR") for each calendar year defined contribution plan and health and welfare plan that filed a 2020 Form 5500 by October 15, 2021. (Note that there are limited exceptions to the SAR rules.)
	31 st	Adopt amendments to 401(k) and 403(b) plans to reflect the final IRS regulations for hardship distributions.
	31 st	Confirm with the TPAs/recordkeepers for your retirement plans that annual Required Minimum Distributions ("RMDs") have been paid.
	31 st	If your 401(k) plan failed ADP/ACP nondiscrimination testing for 2020, process corrective distributions and report the 10% excise tax on Form 5330.
	31 st	Confirm that all necessary remedial actions to address and correct any operational errors identified during the 2021 plan year have been fully implemented, funded, and memorialized with appropriate documentation.
	31 st	Process corrections if your cafeteria plan, health care flexible spending accounts or dependent care flexible spending accounts failed nondiscrimination tests under Code Sections 125 or 129 for 2021.
	31 st	For calendar year retirement plans and health and welfare plans, adopt amendments reflecting discretionary changes that were implemented in 2021, but not yet memorialized in writing, or changes that will take effect in 2022, but that must be adopted before implementation.

✓	ITEMS THAT MAY REQUIRE ACTION
	Prepare and distribute an annual fee disclosure to all participants in your defined contribution retirement plan. This must be furnished to participants (and eligible non-participants, beneficiaries with account balances, and alternate payees) at least every 14 months. If you are unsure of when fee disclosures were last distributed, consider sending a fee disclosure with your year-end 401(k) and 403(b) plan notices.
	The IRS notifies employers of shared responsibility tax penalties under the Affordable Care Act in the form of a Letter 226J. If you receive a Letter 226J, you will have the opportunity to respond before the IRS assesses the penalty. The Letter 226J includes instructions on how to respond; however, keep in mind that the response is typically due within 30 days of the date of the Letter 226J, unless an extension is requested and approved.
	If you sponsor a pre-approved defined contribution plan and have not yet adopted the Cycle 3 documents for your plan, you should confirm the status of the Cycle 3 documents with your TPA/recordkeeper so you can make sure you have enough time to review the documents and adopt them by the July 31, 2022 deadline.
	<p>Confirm that your payroll department, or your third-party payroll provider, has adjusted their systems to reflect changes in various wage and benefit limits for 2022, including the following:</p> <ul style="list-style-type: none"> • The Social Security wage base increases to \$147,000. • The maximum contribution to a Health Savings Account increases to \$3,650 for individual coverage, and \$7,300 for employee +1 coverage. • The maximum contribution to a health care flexible spending account increases to \$2,850. • The maximum contribution to a dependent care flexible spending account is \$5,000 for single taxpayers and married couples filing jointly and \$2,500 for married individuals filing separately, which is a return to the limits from 2021 before they were increased as part of the COVID-19 relief legislation. • The maximum elective deferrals contributions that can be made to a 401(k) or 403(b) plan increases to \$20,500 with "catch-up" contributions remaining the same at \$6,500. • The annual compensation limit for qualified retirement plans increases to \$305,000. • The total amount of combined employee and employer contributions that can be made on behalf of an employee under a defined contribution plan increases to \$61,000.

Reminder: Order Your Isler Dare 2022 Mousepad with Updated IRS Limits

If you would like to receive an Isler Dare mousepad with the updated 2022 dollar limits on benefits, and you have not already responded, please email **Elias Berhane** at eberhane@islerdare.com or [click the link below](#) to let us know where you would like your 2022 mousepad to be sent in January.

<https://www.postable.com/eliasberhane>



If you have any questions about the above year-end compliance items, or about 2022 compliance planning, please feel free to contact any member of our Employee Benefits and Executive Compensation Group below.

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