

# Compliance

## Contribution limits and nondiscrimination testing

### MRT Administrative Manual



Compliance testing of the contribution limits will be performed by Empower Retirement based on the data that employers provide.

- IRC section 402(g) applies to the employee's own salary reduction and/or Roth contributions to all employer retirement plans.
- IRC Section 415(c) limits apply to all contributions made to the Plan for the calendar year, including employee and employer contributions. Empower can only test for 415(c) limits if the employer provides wage information.

A participant that exceeds contribution limits will receive a distribution of the excess and earnings on those amounts. Below are the contribution limits for 2020. These are updated by the IRS each year. For employers with multiple retirement vendor contracts, the responsibility for coordinating compliance testing across all vendors rests with each employer.

#### *415(c) Limit (for 2020)*

Annual contributions made by the employer and employee to all retirement vehicles cannot exceed the lesser of:

- \$57,000 or
- 100% of the participant's compensation.

Compensation includes taxable salary/wages, overtime, pretax deferrals to an employer retirement plan, and other taxable employee benefits. Compensation DOES NOT INCLUDE any nontaxable housing allowance.

#### *402(g) Limit (for 2020)*

An employee may defer (salary reduction and/or Roth contributions) up to 100% of the participant's compensation not to exceed \$19,500 in any calendar year. If the participant is age 50 or older, the employee may defer an additional \$6,500.

Non-QCCO employers are subject to additional compliance testing if they have highly compensated employees. These organizations are typically colleges, universities, hospitals, retirement communities, or nursing homes. Please contact Everence for more information.

### **Important Compliance Issues**

- As noted in Chapter 4, housing allowance reduces taxable income which may reduce or prevent a pastor from making the desired amount of salary reduction or Roth contributions, or from receiving the full amount of employer contributions. Pastors who declare the majority or all their income as non-taxable housing allowance may want to consider adjusting their housing allowance exclusion to maximize contributions to the Plan.

Compliance testing is each employer's responsibility; however, Everence can help with this testing by working with the employer and Empower Retirement. Each January Everence will request that non-QCCO employers with highly compensated employees submit information to Empower. Other employers who wish to have their plan tested should contact Everence.

- Compliance testing will be performed by Empower Retirement based on the information provided by each employer. For employers with multiple retirement vendor contracts (such as TIAA-CREF), the responsibility for coordinating compliance testing across all vendors rests with each employer.
- If an employee has excess contributions for the year, the employee should contact Empower Retirement to confirm the excess amount and to begin the excess contribution distribution process. Excess contributions will be distributed after all annual limits testing is completed for the plan year and Empower will issue a 1099-R for the distributed amount.
- For all other employers, Everence will mail information in January explaining the compliance rules that apply to the Plan and requesting a certification that those requirements have been met by the employer.

## The Compliance Process

### **Employer Responsibilities**

- Monitor contributions to make sure they don't exceed IRS limits
- If the employer is a non-QCCO with highly compensated employees, provide employee census data to Empower and other retirement vendors so the Plan can be tested.
- Respond to requests for compliance information from Everence.

### **Employee Responsibilities:**

- Monitor employee contributions made to retirement plans to avoid exceeding IRS limits.

### **Everence Responsibilities:**

- Request compliance information from employers each year.
- Remind employers of their obligation to provide data to Empower to assist in annual non-discrimination testing when required.

### **Empower Retirement Responsibilities:**

- Monitor elective deferral contribution limits.
- Conduct annual non-discrimination testing based on data provided by employer.