REGULATORY Update

QUARTERLY UPDATE, OCTOBER 2017

IRS Announces 2018 Retirement Plan Limits

On October 19, 2017, the IRS released Notice 2017-64, announcing cost-of-living adjustments (COLA) that will affect contribution limits for retirement plans in 2018. The list below, though not exhaustive, highlights key changes that retirement plan sponsors should be aware of, as well as some numbers that remain unchanged from 2017:

- The elective deferral limit is increasing from $18,000 to $18,500.
- The aggregate contribution limit for defined contribution plans is increasing from $54,000 to $55,000.
- The annual compensation limit used to calculate contributions is increasing from $270,000 to $275,000.
- The limitation on the annual benefit under a defined benefit plan is increasing from $215,000 to $220,000.
- The dollar limit used in the definition of a "key employee" in a top-heavy retirement plan remains unchanged at $175,000.
- The dollar limit used in the definition of a "highly compensated employee" remains unchanged at $120,000.
- The catch-up contribution limit for employees age 50 and older remains unchanged at $6,000.

The table below compares 2017 limits with the newly announced 2018 retirement plan contribution limits:

Type of Benefit Plan	2018 Limits	2017 Limits
401(k) and 403(b) Elective Deferrals	$18,500	$18,000
457 Deferrals	$18,500	$18,000
Aggregate Defined Contribution Limits	$55,000	$54,000
Annual Compensation	$275,000	$270,000
Catch-Up Contributions	$6,000	$6,000
Defined Benefit Contributions	$220,000	$215,000
Highly Compensated Employee Compensation	$120,000	$120,000
Key Employee Compensation	$175,000	$175,000

IRS Announces Loosened Retirement Fund Access for Hurricane Victims

In an effort to provide swift financial relief to victims of hurricanes Harvey and Irma, the IRS announced that 401(k)s and similar employer-sponsored retirement plans would make retirement funds available through streamlined loan procedures and liberalized hardship distribution rules under certain conditions.

IRS Announcement 2017-13 and Announcement 2017-11 indicate that retirement plans can allow victims of hurricanes Harvey and Irma to take hardship distributions or borrow up to the specified statutory limits from a victim's retirement plan. In addition, the IRS will allow a person who lives outside the disaster area to take out a loan or hardship distribution in order to assist a son, daughter, parent, grandparent (or other lineal ascendant/descendant), or spouse who lived or worked inside the disaster area. The Federal Emergency Management Agency (FEMA) has identified which areas are eligible for individual assistance.

Under normal circumstances, requests for hardship distributions require documentation to substantiate the nature of the hardship claims. Announcement 2017-13 relaxes those requirements, and retirement plan sponsors can instead rely upon representations of the employee or former employee to account for the need and nature of the hardship claim. Additionally, the six-month prohibition on making retirement plan contributions in the event of a hardship distribution will not apply.

In order to be eligible for this relief, hardship distributions must be made by January 31, 2018. Retirement plan sponsors should consult their service providers, third-party administrators, or retirement plan advisors for assistance in navigating these IRS guidelines.

We Can Help

Our firm is ready to provide you with the ideas, guidance, and foresight to position your firm for success. If you would like to review the 2018 contribution limits, IRS hurricane relief guidance, or any aspect of your retirement plan, we're here to assist you.

Authored by the Retirement Consulting Services team at Commonwealth Financial Network.

RCS-1479-22114_10/17