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IRS announces increased contribution limits for 2020

On November 6, the IRS issued [Notice 2019-59](#) announcing increased contribution limits for 2020. ([IR-2019-179](#) provides the same information as the Notice but in a more reader-friendly format.)

Highlights of the new limits include:

- The regular elective deferral limit is increased from \$19,000 to \$19,500.
 - The special SIMPLE plan limit on elective deferrals is increased from \$13,000 to \$13,500.
- The regular catch-up contributions limit is increased from \$6,000 to \$6,500.
 - The SIMPLE plan catch-up limit remains unchanged at \$3,000.
- The annual compensation limit is increased from \$280,000 to \$285,000.
- The compensation amount used in the definition of “highly compensated employee” is increased from \$125,000 to \$130,000.

Treasury releases proposed update to RMD mortality tables

On November 8, the IRS published [proposed regulations](#) that would update the life expectancy and distribution period tables that are used to calculate required minimum distributions (RMDs) from retirement plans and IRAs.

The proposed tables reflect longer life expectancies and will reduce the RMD amount that must be taken each year. These relatively modest changes will allow retirement plan participants to retain slightly larger amounts in their plans and IRAs. The comment deadline is January 7, 2020. A hearing on the proposal is also scheduled for January 23, 2020.

Retirement savings plans penalty proposal introduced in Illinois

As the first week of the fall veto session was coming to a close, an amendment was filed to HB 2455 to address penalties that employers must pay if they fail to enroll an employee in the Illinois Secure Choice Savings Program.

Penalties are included in the current law, enacted in 2015, which are set at \$250 per employee for each year or portion thereof the employee was not enrolled or had not opted out of participation in the program.

In the proposed amendment, the penalty would be \$250 per employee for the first calendar year the employer is not compliant and \$500 per employee each subsequent calendar year, even if those years are not consecutive.

The amendment further states that by January 1, 2021, the Department of Revenue shall post on its website that the Illinois Secure Choice Savings Program Act is now operative. It is doubtful this legislation will advance this veto session. The impact of the fine will be to prompt employers to get into the state plan or perhaps take the opportunity to provide a plan from the private sector.

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IRS Notice 2019-59 — 2020 Limitations Adjusted As Provided in Section 415(d), etc.
<https://www.irs.gov/pub/irs-drop/n-19-59.pdf>

IRS IR-2019-179 — 401(k) contribution limit increases to \$19,500 for 2020; catch-up limit rises to \$6,500
<https://www.irs.gov/newsroom/401k-contribution-limit-increases-to-19500-for-2020-catch-up-limit-rises-to-6500>

Updated Life Expectancy and Distribution Tables for RMD
<https://s3.amazonaws.com/public-inspection.federalregister.gov/2019-24065.pdf>

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Keeping watch

You can find the most recent information on issues affecting governmental defined contribution plans, plan sponsors and plan participants on the Employer page of our plan website, NRSforu.com/plansponsor.

About this report

BOB BEASLEY, CRC, Communications Consultant, edits this report. Beasley brings more than 30 years of financial services communications experience to your plan. He has contributed to past editions of the *Governmental 457(b) Guidebook*, edits countless newsletters and plan sponsor communications, and in 2001 authored “What you should know about the Economic Growth and Tax Relief Reconciliation Act of 2001.” He often voices Nationwide’s online presentations.

Beasley has served on the Education and Communication Committee for the Plan Sponsor Council of America and as a member of the National Association of Government Defined Contribution Administrators.

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