Volume 29
Number 6
June 2019

Insider

IRS announces 2020 HSA and HDHP limits

By Cindy Brockhausen and Ben Lupin

In Revenue Procedure 2019-25, the IRS announced the 2020 inflation-adjusted dollar limits for health savings accounts (HSAs) and high-deductible health plans (HDHPs). The limits include the maximum HSA contribution amount along with the minimum deductible and maximum out-of-pocket expenses for HDHPs. These amounts are updated annually to reflect cost-of-living adjustments.

For employers sponsoring HSAs and HDHPs, the new limits will affect benefit plan administration and communication materials for 2020. They may also influence HDHP designs and HSA contribution strategies for 2020.

In This Issue

1 IRS announces 2020 HSA and HDHP limits
1 House-approved SECURE Act on hold in Senate
2 Limited expansion of IRS determination letter program

For comments or questions, contact Cindy Brockhausen at +1 203 326 5468, cindy.brockhausen@willistowerswatson.com; or Ben Lupin at +1 215 316 8311, benjamin.lupin@willistowerswatson.com.

2019 versus 2020 HSA and HDHP limits

Self-only coverage	2019	2020	Change
Maximum annual HSA contribution	**$3,500**	**$3,550**	**+$50**
Minimum annual deductible for HDHP	**$1,350**	**$1,400**	**+$50**
Maximum annual out-of-pocket expense limit for HDHP	**$6,750**	**$6,900**	**+$150**
Family coverage	**2019**	**2020**	**Change**
Maximum annual HSA contribution	**$7,000**	**$7,100**	**+$100**
Minimum annual deductible for HDHP	**$2,700**	**$2,800**	**+$100**
Maximum annual out-of-pocket expense limit for HDHP	**$13,500**	**$13,800**	**+$300**

Note: The 2020 HSA catch-up contribution limit for participants who are 55 or older on December 31, 2020, remains $1,000 (this amount is fixed by statute).

House-approved SECURE Act on hold in Senate

By Ann Marie Breheny and Bill Kalten

The House of Representatives overwhelmingly approved the Setting Every Community Up for Retirement Enhancement (SECURE) Act (H.R. 1994) on May 23 by a vote of 417 to 3, paving the way for the broad retirement security legislation to move to the Senate. Senate leaders acted quickly to "hotline" the bill, calling it up to pass by unanimous consent – meaning that if no one objects, the bill passes without a formal vote; however, objections were raised, putting the bill on hold.

Key provisions

Among other provisions, the SECURE Act would:

- Give long-term, part-time workers access to retirement plans.
- Increase the age at which required minimum distributions must begin from 70½ to 72.

- Provide nondiscrimination testing relief for defined benefit plans that are closed to new participants.
- Allow unrelated employers to jointly sponsor multiple employer defined contribution plans.
- Enhance employer tax credits for small employers that sponsor retirement plans.
- For defined contribution plans, make "lifetime income investment options" portable, establish a safe harbor for the selection of annuity providers and require disclosures of projected lifetime income to participants.

The legislation would also 1) reduce Pension Benefit Guaranty Corporation premiums for cooperative and small employer charity plans, 2) permit penalty-free repayable distributions after the birth or adoption of a child, 3) provide funding relief for qualifying community newspapers, and 4) make other changes.

The SECURE Act shares a number of provisions with the Retirement Enhancement and Savings Act (RESA) – a bill reintroduced in the Senate in April – but with some notable differences:

- The SECURE Act would increase to 15% the annual contribution limit for employees enrolled through an automatic contribution safe harbor for more than one year, while RESA would eliminate the limitation.
- The SECURE Act would prohibit plan loans through credit card arrangements, while RESA would grandfather arrangements in effect on September 21, 2016, with certain limits.
- Under the SECURE Act, amounts inherited from IRAs and defined contribution plans would have to be paid out within 10 years, unless the beneficiary met certain criteria, while the distribution period would be five years under RESA.

Looking ahead

If the senators' objections to the SECURE Act cannot be overcome, lawmakers would have to find another path forward, such as moving the SECURE Act through regular order. If the Senate approves the legislation without amendment, it could move to the president's desk relatively quickly. Alternatively, if the Senate changes the SECURE Act or approves RESA, lawmakers would need to negotiate a compromise proposal for final approval and enactment over the next several months.

For comments or questions, contact Ann Marie Breheny at +1 703 258 7420, ann.marie.breheny@willistowerswatson.com, or Bill Kalten at +1 203 326 4625, william.kalten@willistowerswatson.com.

Limited expansion of IRS determination letter program

By Stephen Douglas, Bill Kalten, Mike Pollack and Maria Sarli

In Rev. Proc. 2019-20, the IRS opens up the determination letter program for hybrid plans such as cash balance and pension equity plans (PEPs) (for a one-year period) and certain "merged plans" (on an ongoing basis) that are formed in connection with a corporate transaction. The revenue procedure also extends the remedial amendment period and provides special sanction structures for plans submitted for a determination letter under this revenue procedure.

Since January 1, 2017, sponsors of individually designed plans have generally been allowed to submit a determination letter application only for initial plan qualification and for qualification upon plan termination. However, in 2018, the IRS sought comments on whether and to what extent the determination letter program should be expanded. Willis Towers Watson submitted comments that included requests for expanding the determination letter program to cover issues relating to hybrid plans and the treatment of plans acquired in corporate transactions.

***Insider* is a monthly newsletter developed and produced by Willis Towers Watson Research and Innovation Center.**

***Insider* authors**

Precious Abraham
Ann Marie Breheny
Cindy Brockhausen
Stephen Douglas
Maureen Gammon
Rich Gisonny
Anu Gogna
Russ Hall
William Kalten
Benjamin Lupin
Brendan McFarland
Steve Nyce
Mike Pollack
Kathleen Rosenow
Maria Sarli
Steven Seelig

Reprints
For permissions and reprint information, please email Joseph Cannizzo at joseph.cannizzo@willistowerswatson.com.

More information can be found on the website: www.willistowerswatson.com.

Publication company
Willis Towers Watson
Research and Innovation Center
800 N. Glebe Road
Arlington, VA 22203
T +1 703 258 7635

This year, the IRS decided on a one-year limited expansion beginning September 1, 2019, for hybrid plans. During this period, the IRS will not impose sanctions for plan document failures associated with plan provisions required to conform to the hybrid plan regulations that the IRS discovers in reviewing a plan under this revenue procedure. Some hybrid plan sponsors – particularly those with unresolved compliance concerns – might want to consider submitting their plan for a determination letter during the one-year window.

The ongoing program may also be of interest to plan sponsors that have acquired companies with plans that they have recently merged or would like to merge with their own. To be eligible for this program, the plan merger must be effective by the end of the first full plan year that begins after the business transaction, and the application must be submitted by the end of the first full plan year that begins after the plan merger. This limits the opportunity to relatively recent and prospective transactions/plan mergers.

For comments or questions, contact
Stephen Douglas at +1 203 326 6315,
stephen.douglas@willistowerswatson.com;
Bill Kalten at +1 203 326 4625,
william.kalten@willistowerswatson.com;
Mike Pollack at +1 203 326 5469,
mike.pollack@willistowerswatson.com; and
Maria Sarli at +1 404 365 1708,
maria.sarli@willistowerswatson.com.

About Willis Towers Watson

Willis Towers Watson (NASDAQ: WLTW) is a leading global advisory, broking and solutions company that helps clients around the world turn risk into a path for growth. With roots dating to 1828, Willis Towers Watson has 45,000 employees serving more than 140 countries and markets. We design and deliver solutions that manage risk, optimize benefits, cultivate talent, and expand the power of capital to protect and strengthen institutions and individuals. Our unique perspective allows us to see the critical intersections between talent, assets and ideas – the dynamic formula that drives business performance. Together, we unlock potential. Learn more at willistowerswatson.com.

AMER-19-DIG-367646660