The PRS Report

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CLIENT REFERRAL PROGRAM:

If a client you recommend to us becomes our client, you can receive a 10% discount on annual services for every year they remain a client.

2026 Pension Plan Limits

The Internal Revenue Service and the Social Security Administration have recently announced the 2026 Pension Plan cost-of-living increases. For your convenience and reference, they are listed below, along with the 2025 limits, which are shown for comparison purposes.

	ITEM	2026	2025
1.	Maximum contribution to a 401(k) Plan	$ 24,500	$ 23,500
2.	Additional 401(k) Plan Catch-Up Contribution (for participants age 50 and over)	8,000	7,500
3.	Catch-up Limit for Ages 60-63	$11,250	11,250
4.	Maximum Profit Sharing Plan contribution for a participant*	72,000	70,000
5.	Maximum 401(k) and Profit Sharing Plan contributions for a participant age 50 or older*	80,000	77,500
6.	Maximum Defined Benefit Pension Plan Benefit (Dollar Limit payable at ages 62 to 65)	290,000	280,000
7.	Maximum compensation that can be used for Plan purposes	360,000	350,000
8.	Highly Compensated Employee Compensation Threshold	160,000	160,000
9.	Social Security Taxable Wage Base	$ 184,500	$ 176,100

* Please note that the defined benefit contributions are generally higher than the maximum profit sharing and 401(k) amounts shown above. Please contact us if you would like us to provide you with a defined benefit plan design.

As part of the services we provide, we will automatically incorporate any applicable cost-of-living increases when we prepare your 2025 valuation. These changes may increase the contributions to your company's Plans. In addition, they may also help employers increase the contribution for the principals relative to the other plan participants. Do not hesitate to contact us if you would like to change (either increase or decrease) your 2025 contribution or if you have any questions. The earlier we know, the more alternatives that may be available. Please let us know what you want.

Important Reminder for 401(k) Plan Sponsors

401(k) Plan Sponsors must give participants the opportunity to change their elections at least once a year. Therefore, you should distribute election forms every December (for calendar-year plans) to all eligible employees, including any newly-eligible part timers. Particularly for those employees who decide not to contribute to the Plan, it is important to get back a signed and completed election form showing the non-election choice. ***Plan Sponsors should keep these election forms on file. In case of a plan audit, not having election forms for a plan with either minimal participation or only owner participation will raise all sorts of red flags.***

If a participant elects to make 401(k) contributions, you should coordinate the participant's election with your payroll provider and establish an account with the Trust for the participant's 401(k) contribution deducted from payroll. By non-highly compensated participants contributing more in 401(k), non-discrimination test results will improve, thereby possibly enabling the company to save money in employer contributions.

Roth Catch-Up Contributions REMINDER

We issued an Email Blast on November 20, 2025 announcing the IRS last-minute change to the FICA wage baseline for 2025 from $145,000 to $150,000 for determining whether a participant is a Highly-Paid Individual (HPI) in 2026. 401(k) contributions for these HPIs that reach the Catch-up threshold (over $24,500), will automatically "spillover" from pre-tax to post-tax Roth treatment.

If you are a Plan Sponsor, you have a crucial role to fill in this regard. You should monitor your payroll provider to make sure this "spillover" from pre-tax to post tax Roth treatment is reflected accurately on payroll records, meaning you have to make sure that payroll is taxing the Catch-ups for HPIs as Roth 401(k) contributions and no longer as Pre-Tax 401(k) contributions. As if that weren't enough, you also have to monitor how the 401(k) withholdings are transmitted to the recordkeeper so that the catch-up contributions for HPIs get credited to a Roth Elective Deferral sub-account instead of to a Pre-Tax Elective Deferral sub-account. We anticipate that over time this added administrative burden will become trivial or even disappear as both payroll providers and recordkeepers erect safeguards so that mistakes become less and less frequent or disappear completely.

And, you may ask, what is the role of our TPA, Pension Review Services (PRS), in all this? Shouldn't **PRS** be catching these errors? The answer is yes, but. We review your Plan in depth once a year, **after the plan year is over,** and so we are the gatekeeper of last resort. Catching mistakes in real time, *i.e.* before the plan year is over and preferably even sooner than that, say when the payroll hits, will save you (and yes, us as well) an incalculable amount of time in correcting mistakes.

There is an old expression that says an ounce of prevention is worth a pound of cure. It's therefore crucial to pay attention to the new Roth 401(k) Catch-up Contribution rules for 2026 because correcting errors made by the plan sponsor, by the individual in your office inputting payroll or inputting 401(k) contributions on the record-keeper website, by your payroll provider, or by the recordkeeper for your Plan will result in time-consuming corrections and probably lengthy communications with the various actors involved.

In case you would like to read our original Newsletter article on this topic, here is a link to it: September-2025-Newsletter.pdf.

Call us to answer any questions you may have.

Coming in January 2026

Just to remind you that we will begin uploading calendar year plan Data Packages to your ShareFile portal in early January. You will receive a notification via email that the package is available. Please open up the Instructions to view your deadlines. The packages for non-Safe Harbor 401(k) Plans need to be returned to us by the end of January so that ADP testing can be done timely.

Thank you for giving us the opportunity to provide services on your behalf. Let us know if you liked how we provided services to you and if you have any suggestions as to how we can improve our services. May 2026 be better than 2025, and may you, your staff, and your family enjoy a happy holiday season and a healthy and prosperous 2026!

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