The PRS Report

VOLUME 35, ISSUE 2

DECEMBER 2026

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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.



2027 Pension Plan Limits

The Internal Revenue Service and the Social Security Administration have recently announced the 2027 Pension Plan cost-of-living increases. For your convenience and reference, they are listed below, along with the 2026 limits, which are shown for comparison purposes.

	ITEM	2027	2026
1.	Maximum contribution to a 401(k) Plan	$ 25,500	$ 24,500
2.	Additional 401(k) Plan Catch-Up Contribution (for participants age 50 and over)	8,500	8,000
3.	Catch-up Limit for Ages 60-63	11,750	11,250
4.	Maximum Profit Sharing Plan contribution for a participant*	75,000	72,000
5.	Maximum 401(k) and Profit Sharing Plan contributions for a participant age 50 or older*	83,500	80,000
6.	Maximum Defined Benefit Pension Plan Benefit (Dollar Limit payable at ages 62 to 65)	300,000	290,000
7.	Maximum compensation that can be used for Plan purposes	375,000	360,000
8.	Highly Compensated Employee Compensation Threshold	170,000	160,000
9.	Lookback year compensation to determine if Catch-Up should be Roth	155,000	150,000
10.	Social Security Taxable Wage Base	192,300	184,500

* 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 or cash balance plan design.

As part of the services we provide, we will automatically incorporate any applicable cost-of-living increases when we prepare your 2026 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 2026 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 have a signed and completed election form from the employee 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

Certain participants in a 401(k) Plan are Highly-Paid Individuals (HPIs), based on their 2026 W-2 Box 3 income being more than $155,000. If these HPIs make 401(k) Catch-up contributions, they must make them as Roth after-tax contributions. If such a participant intends to make pre-tax contributions up to the 2027 limit of $25,500, the remaining contributions for the Catch-up should automatically spill over from pre-tax to post-tax Roth treatment. The election forms the participants complete, as well as Payroll, should reflect this treatment.

As Plan Sponsor, you should be monitoring Payroll to assure that these Catch-up contributions are being handled correctly. Likewise, if you use a Recordkeeper for the plan assets, you should be checking that the pre-tax and Roth contributions are being deposited into the correct buckets. If they are not being placed correctly, we, as TPA, will discover that, but it will be after the plan year is over, and corrective action will need to be taken.

Do not hesitate to contact us if you have questions or encounter problems. It is much better to discover problems before the plan year is over.

Coming in January 2027

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.

If you need any assistance with completing the Data Package or with navigating ShareFile, please don't hesitate to contact us.



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 2027 be better than 2026, and may you, your staff, and your family enjoy a happy holiday season and a safe, healthy and prosperous 2027!

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