

Publications

IRS Issues Favorable Guidance on Mid-Year Safe Harbor Changes

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Long awaited IRS guidance was recently issued in the form of Notice 2016-16 that permits a wide variety of mid-year safe harbor plan changes, subject to certain participant disclosures, but still lists a few changes that are not permitted to be adopted or effective after the first day of the plan year. The guidance is effective for mid-year changes made on and after January 29, 2016, and applies to traditional safe harbor 401(k) plans, QACAs (qualified automatic contribution arrangements) and safe harbor 403(b) plans.

We first review the applicable IRS regulations that restrict mid-year changes, and then we take a look at the guidance in the attached article. Plan sponsors should keep this guidance in mind when considering mid-year changes to their safe harbor 401(k) or 403(b) plans.

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