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Catch Me Up if You Can: What's New for Retirement Plans in 2026

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Session CPE Requirements

You need to attend 50 minutes to receive the full 1 CPE credit.

There will be 4 polling questions throughout the presentation. You must respond to a minimum of 3 to receive the full 1 CPE credit.

Both requirements must be met to receive CPE credit

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Learning Objectives

Recognize collective investment trust investments and their increasing popularity

Recall the SECURE 2.0 catch-up and Roth contribution changes effective in 2026

Identify long-term part-time employees who are eligible to participate

Recognize the impact of mergers and acquisitions on retirement plans

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Collective Investment Trusts (CITs)

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What Is a Collective Investment Trust? (CIT)

A tax-exempt, pooled investment vehicle maintained by a bank or trust company

Exclusive to retirement plans

Other terms:
Collective investment funds, commingled funds, collective trust funds, common trust funds

History of CIT's

- **1927** – Introduction
- **1933/1940** – Securities Act of 1933; Investment Company Act of 1940
- **1950's** – Federal Reserve Board allows banks to pool retirement assets for investment purposes; SEC rules these trusts mostly exempt from the Investment Company Act
- **1980's** – Defined contribution plans gain in use over defined benefit plans
- **2000's** – CITs allowed to trade on the National Securities Clearing Corporation platform
- **2006** – Pension Protection Act of 2006. Default investments and QDIA's
- **2010's** – ERISA fiduciary breach claims rise

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CIT's Today

- Nearly $7 trillion in assets[1]
- Hold 30% of all defined contribution plan assets[2]
- Assets in CIT's more than doubled (13% to 30% over the past decade)[2]

[1] Gary Gensler, Chair, Secretary & Exchange Communication, "Bear in the Woods," Remarks Before the Investment Company Institute (May 25, 2023), https://www.sec.gov/news/speech/gensler-remarks-investment-company-institute-05252023#_ftnref27 (noting that "[c]ollective investment funds are estimated to be $7 trillion, $5 trillion at the federal level and $2 trillion at the state bank level").

[2] *See* Lia Mitchell, Morningstar Center for Retirement & Policy Studies, 2023 Retirement Plan Landscape Report: An In-Depth Look at the Trends and Forces Reshaping U.S. Retirement Plans (2023).

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Are CIT's Mutual Funds?

Look and act like mutual funds – similarities:

- Most valued daily *(not required though)*
- Standardized and automated daily processing
- Fact sheets available
- Actively or passively managed - available across different asset classes including stable value

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...But Not a Mutual Fund – CIT Facts

Supervised and regulated by:

- Office of the Comptroller of the Currency (for national banks) – part of the U.S. Treasury Department
- State banking authorities (for state banks)
- Department of Labor
- Open to institutional investors/qualified plans only)

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Potential Benefits

- Lower fees – incur less cost for marketing, operations, and compliance (less regulation)
- Economies of scale
- Fees may be negotiable

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Proceed With Prudence

Consult with legal, investment and other advisers

- Is the universe of investment options in the plan diverse and appropriate?
- Does the plan have sufficient investible assets for investment in the vehicle?
- Is the cost structure appropriate given the plan size?
- What type of data will be available to the plan?
- Is a CIT investment compatible with the plan's investment policy statement?

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Proceed With Prudence

Evaluate reduced fees against the risks:

Regulatory standards may not be as comprehensive as those applied to mutual funds (no SEC oversight as with mutual funds)

Is less regulation for lower fees worthwhile?

- Less disclosure requirements – data may not be as readily available - no prospectus
- Litigation by plan participants – competitiveness among service providers
- Are there trading or liquidity restrictions? Could this affect a change to another provider?

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Proceed With Prudence

- Will increased employee education be required compared with mutual funds which are more familiar to employees?
- Do the demographics of the plan's participants fit this investment?
- Evaluate fit in light of the current regulatory environment
- Underlying investments may be altered at the trustees' discretion

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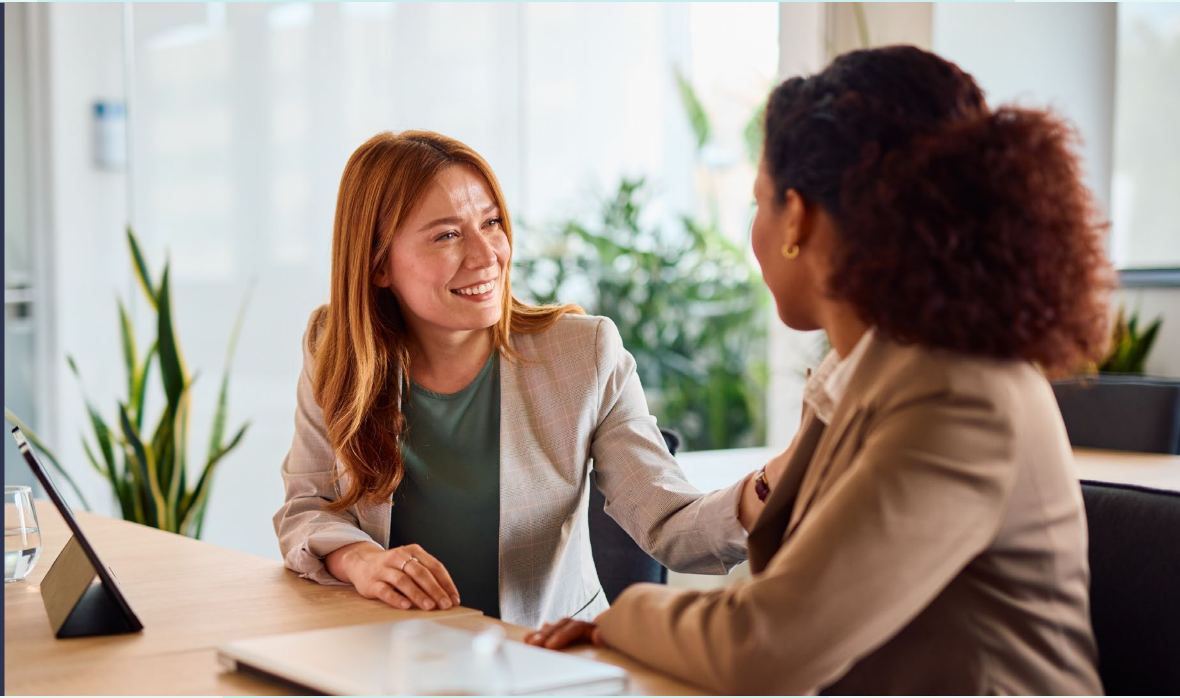
Secure 2.0 (Roth Catch-Up)

Catch-Up Provisions

50 years or older can make additional deferrals

Pre-tax or Roth

Super Catch-up for ages 60-63



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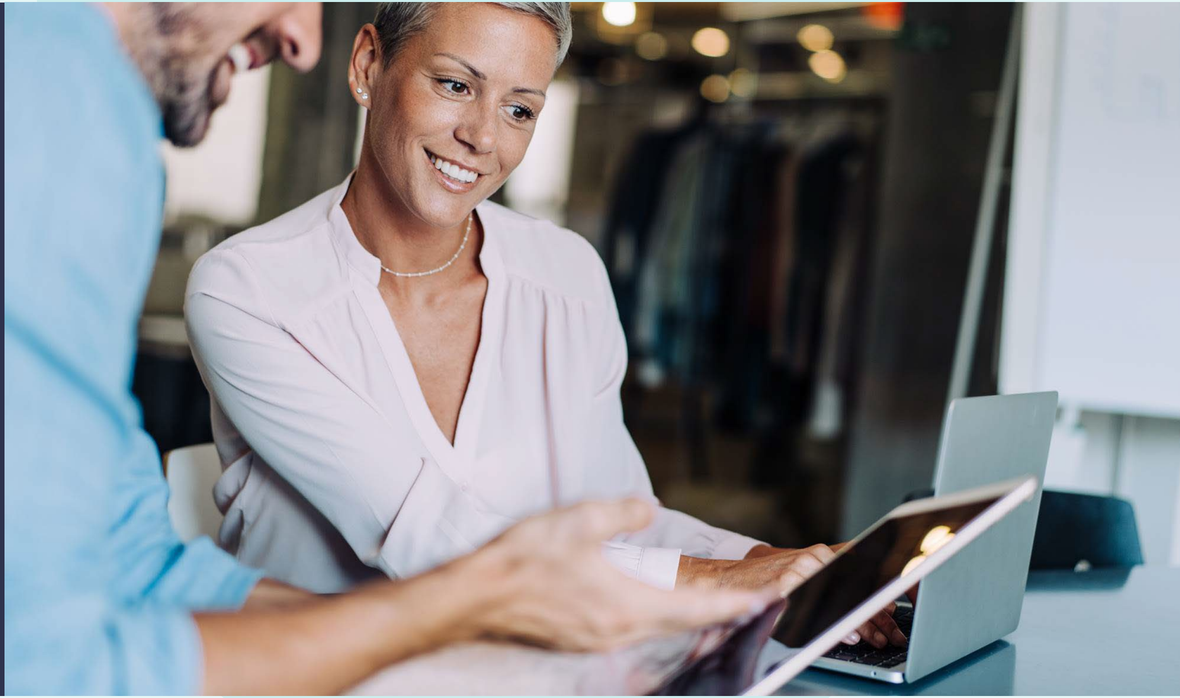
Roth Provisions

Defer on an after-tax basis

Grow tax-free; qualified distributions excludable from gross income

“Rothification” of retirement plans



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Roth Catch-Up Mandate

New requirement for high earners

Final regulations:

- Apply to catch-up contributions for tax years **beginning after** December 31, 2026
- **Do not extend or modify** the two-year administration transition period

For years prior to 2027, a reasonable, good-faith interpretation standard applies

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Roth Catch-Up Mandate: Eligible High Earners

Subject to mandate

Employees whose FICA wages exceeded $150,000 in the preceding year

Not subject to mandate

- New hires with no FICA wages for preceding year
- Employees with partial year of employment in preceding year
- Partners in partnerships or self-employed individuals if they don't have FICA wages

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Implementation Option: Affirmative Election

- High earners must elect Roth for catch-up contributions
- Separate vs. spillover plan implications
- Effective opportunity rules do not apply
- Limited opportunities for correction *(if needed)*

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Implementation Option: Deemed Election

Existing pre-tax catch up treated as Roth; kept in separate account

Must provide an opportunity for employees to make a new election

Ends when employee is no longer a “high earner”

More correction options *(if needed)*

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Roth Catch-up Scenarios

Scenario	Roth Catch-Up Required?	Correction Needed?
High earner ($156k)	Yes	Yes, if not Roth
Low earner ($60k)	No	No
Multiple Employers	Depends on each employer	No, if wages < $150k
Plan error (all pre-tax)	Yes	Yes
Early Roth contributions	Yes	Partial
Small error ($250)	Yes	No

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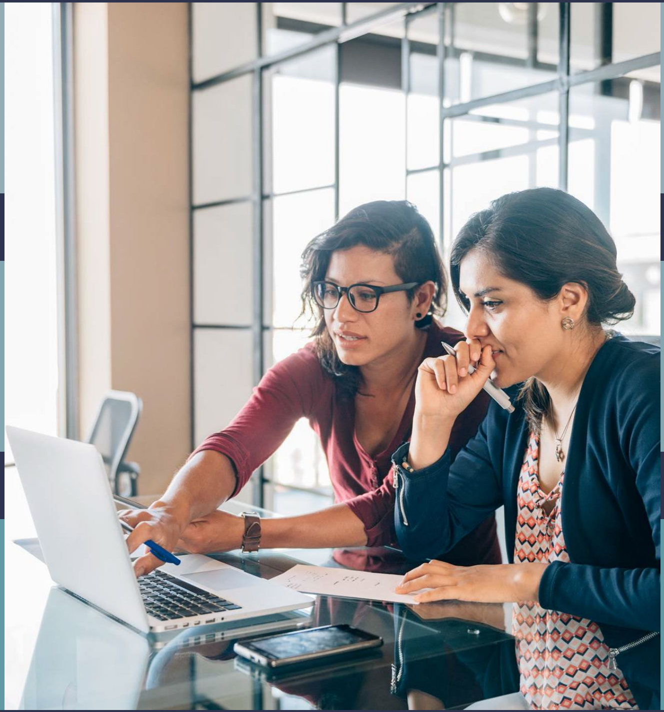
Plan Error Correction Methods

W-2 adjustment

In-plan Roth rollover

Can we avoid through plan design?



Remove catch-up provision altogether from the plan

Remove Roth contributions for all participants

Cannot require all catch-up provisions be Roth contributions

What should plan sponsors do?

Understand payroll system and/or provider capabilities

Understand recordkeeping platform’s capabilities

Determine if you want to aggregate FICA wages

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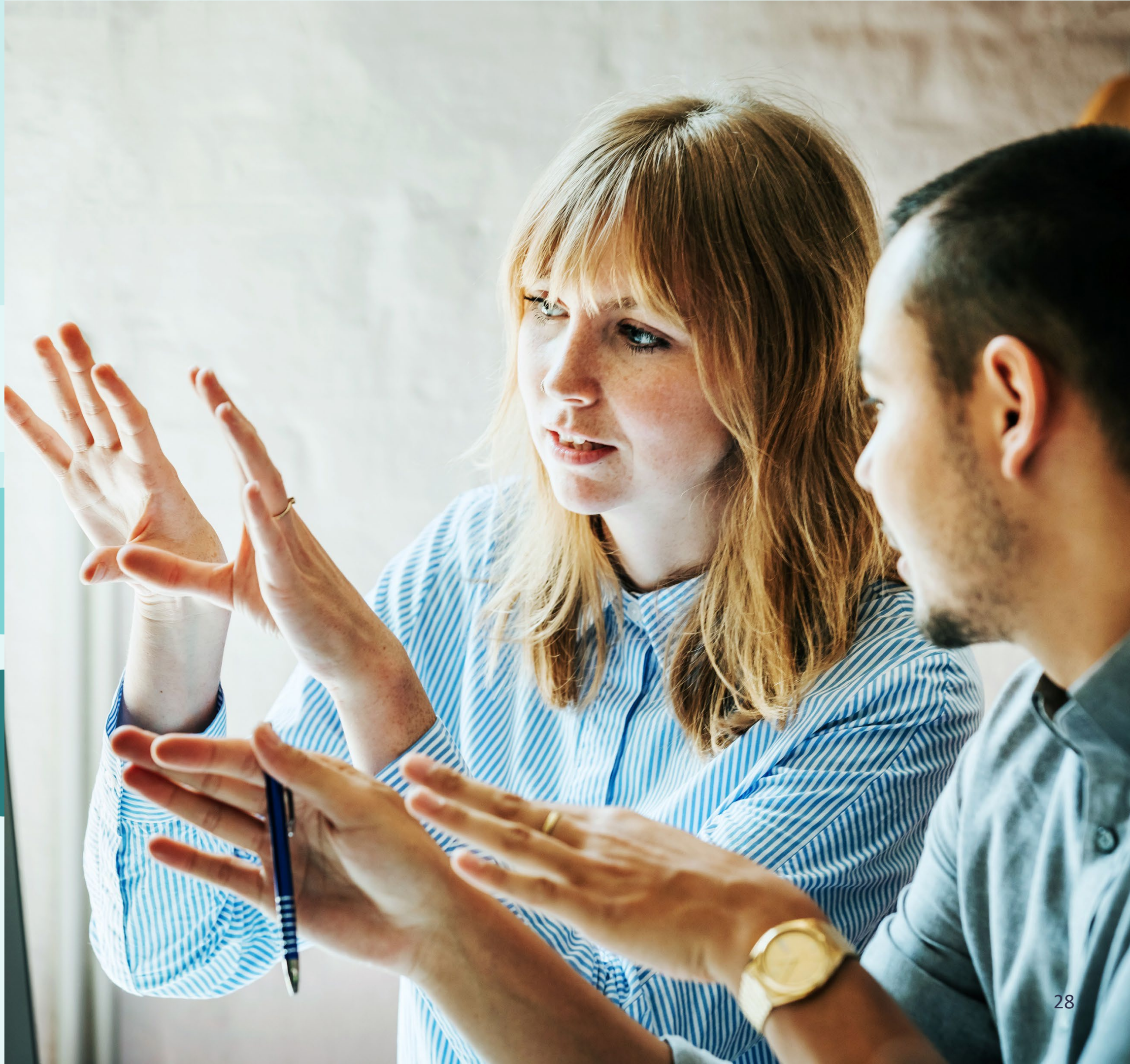
What should plan sponsors do?

Determine high earner population for 2026 plan year

Decide if using affirmative or deemed election process

Document selected design options



If the deemed election process is selected…

Establish policies and procedures surrounding:

- Participant notification of effective opportunity to opt out or modify elections (when 402(g) limit reached)
- Restoration of participant's original elections
  - No longer a "high earner" ***OR***
  - After close of a plan year

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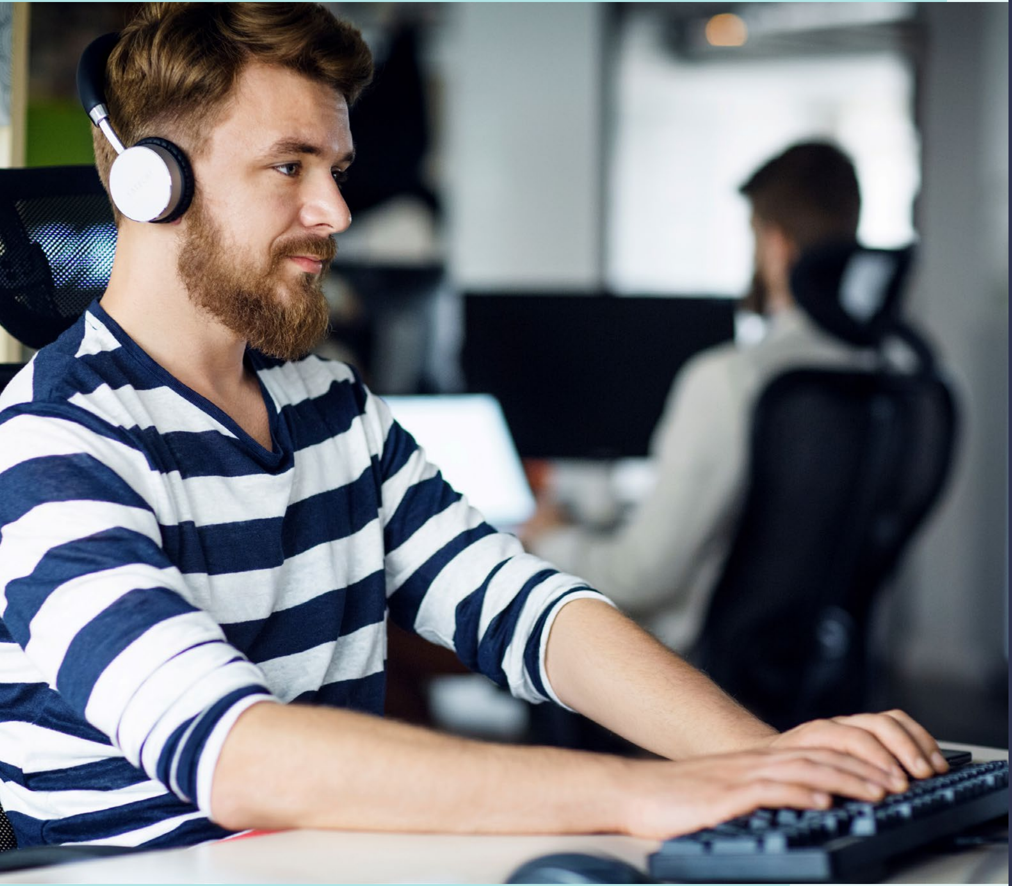

Participant Communication

Create participant notifications regarding:

- High earners
- Deemed Roth process
  - Including effective opportunity to make alternative election
- Update Summary Plan Descriptions to include new Roth catch-up mandate (and, if applicable, deemed election process)

Don't forget to document distribution

Long-Term Part-Time Employees

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Long-Term Part-Time Eligibility

Provision	SECURE Act	SECURE 2.0
Service Requirement	3 consecutive years	2 consecutive years
Hours Threshold	≥ 500 hours/year	≥ 500 hours/year
Age Requirement	21 or older	21 or older
Effective Date	Plan years after 12/31/2020 (eligibility starts 1/1/2024)	Plan years after 12/31/2024 (eligibility starts 1/1/2025)
Plans Covered	401(k) plans **ONLY**	401(k) and ERISA-covered 403(b) plans
Employer Contribution Rules	Not required	Not required

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Example 1

- James is hired January 1, 2023, attains age 21 in 2023 and works:
  - 2023 – 650 hours
  - 2024 – 501 hours
- The plan's eligibility requirement is age 21 and 1,000 hours of service
  - James **does not** complete 1,000 hours in 2023
  - James **does not** complete 1,000 hours of service in 2024
- James is a long-term, part-time employee as of Jan. 1, 2025
- James must be allowed to contribute, if he so chooses.
- The employer is not required to make any employer contributions for James.

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Example 2

- James is hired January 1, 2023, attains age 21 in 2023 and works:
    - 2023 – 650 hours
    - 2024 – 501 hours
- The plan's eligibility requirement is age 21 and *six months* of service with no minimum hours of service. The plan's entry dates are quarterly.
- James completes 6 months of service on June 30, 2023, and enters the plan July 1, 2023. He is **NOT** a long-term, part-time employee.
- James is subject to the terms of the plan as any other eligible participant.

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What Happens If I Have Long-term Part-time Employees (LTPT Employees)?

- LTPTs must be allowed elective deferrals
- Employer contributions optional
- LTPTs excluded from nondiscrimination and top-heavy testing
- Applies to 403(b) plans in 2025
- *Once an LTPT, not always an LTPT:* employees may later qualify for employer contributions
- Expands coverage to boost retirement savings

Other LTPT Employee Considerations

Vesting

Audit

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Missed LTPT Employees?

- Enroll employee immediately
- Make corrective contributions, if necessary
  - Employee Plans Compliance Resolution System (EPCRS) – Self-Correction Program
  - EPCRS – Voluntary Correction Program
- Adjust earnings
- Document correction

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Mergers and Acquisitions

Mergers and Acquisition Considerations

- Organization of merger documentation
- Timeline considerations
- Maintain plan records for audit purposes


Article – coming soon!
Key Updates for Your 2026 Employee Benefit Plans

Thank you!

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