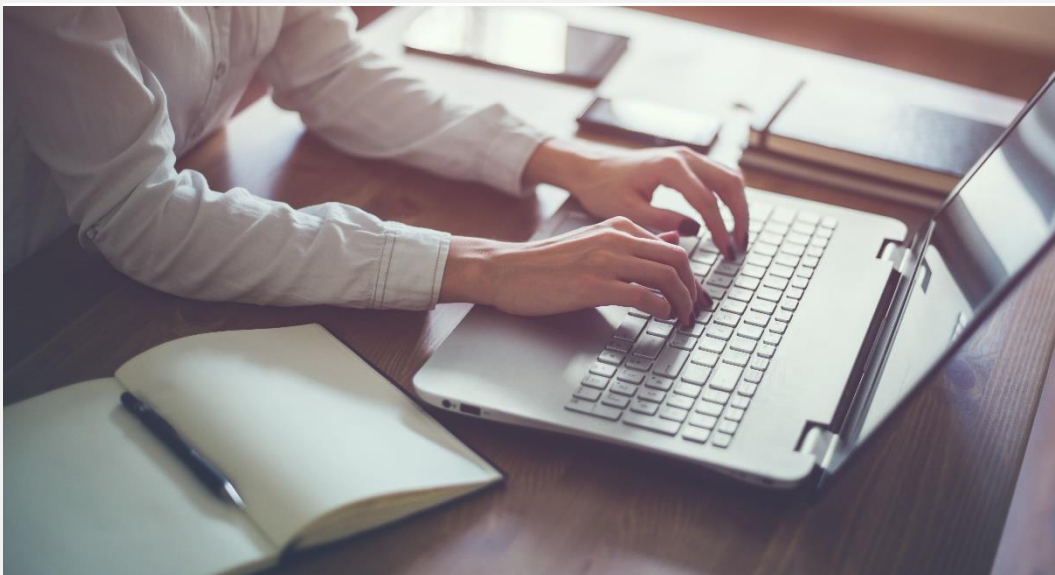




Rewards Policy Insider 2024-23



In this Issue:

1. [IRS Releases Guidance on SECURE 2.0 Retirement Plan Overpayment Provision](#)
2. [IRS Publishes Inflation-Adjusted Retirement Plan Limits](#)
3. [IRS Publishes Inflation-Adjusted Health and Welfare Plan Limits](#)

IRS Releases Guidance on SECURE 2.0 Retirement Plan Overpayment Provision

In mid-October, the Internal Revenue Service ("IRS") released guidance addressing the SECURE 2.0 Act of

2022 ("SECURE 2.0") provision that allows plan fiduciaries to decide not to recoup mistaken overpayments to plan participants. The guidance covers a range of issues, including what type of plans are covered by the provision and the definition of an overpayment.

Background

As part of SECURE 2.0, Congress enacted new rules that generally allow plan fiduciaries to decide *not* to recoup overpayments that were mistakenly made to participants. If plan fiduciaries do choose to recoup overpayments, limitations on the amount and manner of the recoupment apply. For example, the SECURE 2.0 provision prohibits plans from assessing interest or other fees on overpaid amounts and generally prohibits plans from using a collection agency to recoup overpayments. A plan may, however, reduce future benefit payments to correct the amount or seek recovery from the person responsible for the overpayment.

These new rules are intended in part to create participant protections in situations where retirement plans mistakenly pay participants more than they are owed and then later seek to recover the overpayments.

New Guidance

To address questions from plans on how the new overpayment rules function, the IRS released [Notice 2024-77](#), which provides a series of Q&As addressing the following issues, among others:

- **Covered Plans.** The Notice confirms that the relief allowing plans to decide not to recoup overpayments is available to 401(a) plans, 403(a) plans, 403(b) plans, and any governmental plan.
- **Overpayment Definition.** The Notice states that the new rules apply to any payment that is an "inadvertent benefit overpayment," which is defined as any payment that exceeds the amount payable under the plan or under a limit provided in the Internal Revenue Code ("Code"). Under the Notice, an "inadvertent benefit overpayment" also includes any payment made before it should have been under the Code or the plan's terms. However, it does not include (1) a payment made to certain "disqualified" persons described in Code section 4975(e)(2) or "owner-employees" defined in Code section 401(c); or (2) a payment that is made pursuant to a correction using the IRS's Employee Plan Compliance Resolution System ("EPCRS"). The EPCRS allows plans to correct a numbers of plan failures, some of which can be self-corrected by the plan without informing the IRS.
- **Plans Still Permitted to Recoup.** The Notice confirms that a plan that has made an inadvertent benefit overpayment can still seek recoupment, even if it is not required. If a plan chooses to recoup, it would continue to follow the rules established in the EPCRS, which provide specific procedures for plans to correct overpayments. The plan would also need to follow the new conditions on recoupment in ERISA enacted as part of SECURE 2.0, such as the limitations discussed above. (Note that the Notice focuses only on changes to the Code, which are within the IRS's enforcement jurisdiction. The ERISA changes are under the Department of Labor's jurisdiction.)

IRS Publishes Inflation-Adjusted Retirement Plan Limits

The Internal Revenue Service (“IRS”) has announced a variety of inflation-adjusted retirement plan-related limits for 2025. A number of key qualified plan limits will increase, including the contribution limit for 401(k) plans.

On November 1, 2024, the IRS released [Notice 2024-80](#), which provides the annual adjustments to the contribution and benefit limitations in the Internal Revenue Code (“Code”) for retirement plans and IRAs in 2025. The following chart summarizes the updated 2025 limits, compared to those in effect for 2024.

Limit	2024	2025
Elective Deferral Contribution Limit for 401(k), 403(b), and Governmental 457 Plans	\$23,000	\$23,500
Code Section 415 Limit for Defined Contribution Plans	\$69,000	\$70,000
IRA Contribution Limit	\$7,000	\$7,000
Age 50+ Catch-up Contribution Limit (Code Section 414(v)(2)(B)(i))	\$7,500	\$7,500
Age 60-63 Enhanced Catch-up Contribution Limit*	N/A	\$11,250
Qualified Plan Compensation Limit under Code Section 401(a)(17)	\$345,000	\$350,000
Compensation Threshold for Simplified Employee Pensions (“SEPs”) (Code section 408(k)(2)(C))	\$750	\$750

* As part of the SECURE 2.0 Act of 2022, Congress enacted a new rule that increases the catch-up contribution limits for retirement plan participants who have reached ages 60-63 (but not in later years). The rule applies to 401(k), 403(b), and governmental 457(b) plans; SIMPLE plans; and Salary Reduction Simplified Employee Pensions (“SARSEPs”). The provision will be effective for taxable years beginning in 2025. Thus, in 2025, plan participants who are between the ages of 60 and 63 can make catch-up contributions of up to \$11,250 – i.e., \$3,750 *more* than the regular catch-up limit permits.

As discussed elsewhere in this edition of Rewards Policy Insider, the IRS also published the inflation-adjusted health and welfare plan limits for 2025. See [Revenue Procedure 2024-40](#).

IRS Publishes Inflation-Adjusted Health and Welfare Plan Limits

The IRS has published [Rev. Proc. 2024-40](#) to announce a variety of inflation-adjusted health and welfare plan-related limits for 2025. The revenue procedure joins previously issued guidance to provide a complete picture of inflation-adjusted health and welfare plan-related limits for next year.

The following chart summarizes the updated 2025 limits, compared to those in effect for 2023 and 2024.

	2023	2024	2025
Affordable Care Act			
Out-of-Pocket (OOP) Max for EHBs -- Single	\$9,100	\$9,450	\$9,200
OOP Max for EHBs -- Family	\$18,200	\$18,900	\$18,400
Affordability Threshold for Employer-provided Minimum Essential Coverage	9.12%	8.39%	9.02%
HSAs/HDHPs			
Annual Contribution -- Self	\$3,850	\$4,150	\$4,300
Annual Contribution -- Family	\$7,750	\$8,300	\$8,550
Age 55+ Catch-up Contribution	\$1,000	\$1,000	\$1,000
HDHP Minimum Deductible -- Self	\$1,500	\$1,600	\$1,650
OOP Max -- Self	\$7,500	\$8,050	\$8,300
HDHP Minimum Deductible -- Family	\$3,000	\$3,200	\$3,300
OOP Max -- Family	\$15,000	\$16,100	\$16,600
Excepted Benefit HRAs			
Maximum Amount that may be made newly available for the plan year	\$1,950	\$2,100	\$2,150
Health FSAs			
Maximum Salary Reduction Contributions	\$3,050	\$3,200	\$3,300
Maximum Carryover	\$610	\$640	\$660
Dependent Care FSAs			
Maximum Gross Income Exclusion	\$5,000	\$5,000	\$5,000
Education Assistance Programs			
Maximum Gross Income Exclusion	\$5,250	\$5,250	\$5,250
Qualified Transportation Fringe Benefits			
Maximum Combined Exclusion for Transit Passes and Commuter Vehicle	\$300/month	\$315/month	\$325/month

Maximum Exclusion for Qualified Parking	\$300/month	\$315/month	\$325/month
Adoption Assistance Programs			
Maximum Gross Income Exclusion for Child with Special Needs	\$15,950	\$16,810	\$17,280
Maximum Gross Income Exclusion for Qualified Adoption Expenses	\$15,950	\$16,810	\$17,280

Sources for 2025 data:

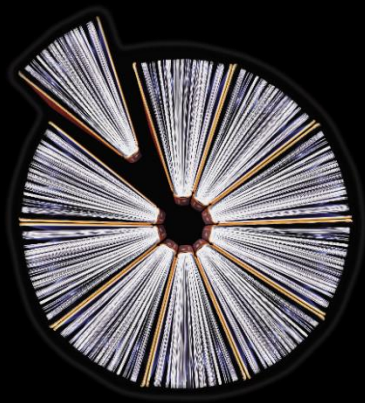
IRS Rev. Proc. 2024-25; IRS Rev. Proc. 2024-40; and CMS Memo dated November 15, 2023.

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