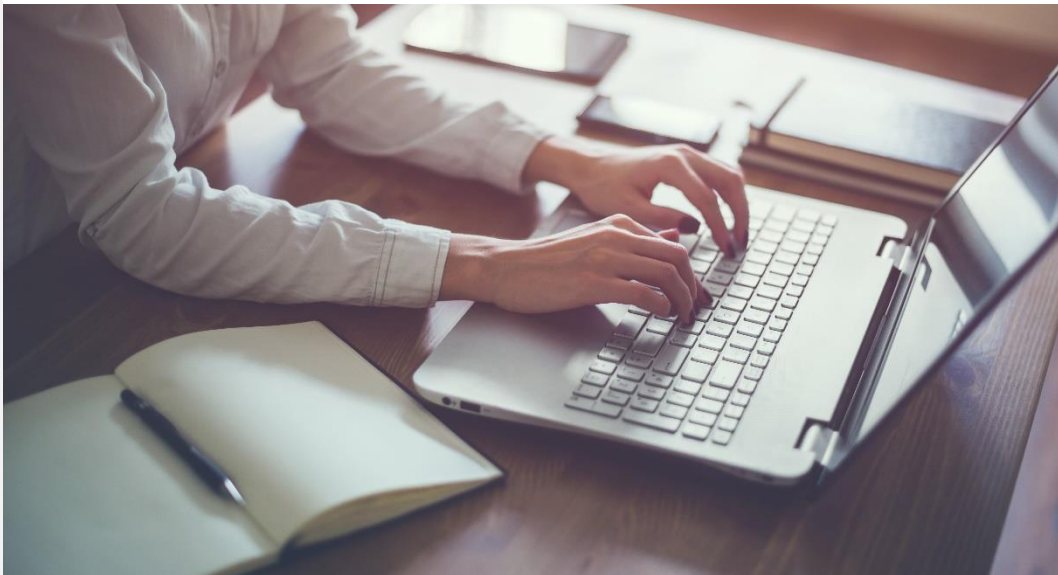




## Rewards Policy Insider 2025-24



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# Upcoming Compliance Reminders for Calendar Year Employee Benefit Plans

## December 2025

7<sup>th</sup>: Medicare Open Enrollment Ends

31<sup>st</sup>: Gag Clause Prohibition Compliance Attestation Due

*Note: This is meant to be a reminder of certain upcoming compliance deadlines for employee benefit plans operating on a calendar year basis. It is not an exhaustive list of compliance obligations. Specific plans may be subject to different obligations and deadlines depending upon a variety of factors, including the plan type, plan year, and whether or not the plan is subject to ERISA, among other things.*

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## IRS Publishes Inflation-Adjusted Retirement Plan Limits

The Internal Revenue Service (“IRS”) has announced a variety of inflation-adjusted retirement plan-related limits for 2026. A number of key qualified plan limits will increase, including the contribution limit for 401(k) plans.

On November 13, 2025, the IRS released [Notice 2025-67](#), which provides the annual adjustments to the contribution and benefit limitations in the Internal Revenue Code (“Code”) for retirement plans and IRAs in 2026. The following chart summarizes the updated 2026 limits, compared to those in effect for 2025.

Limit	2025	2026
Elective Deferral Contribution Limit for 401(k), 403(b), and Governmental 457 Plans	\$23,500	\$24,500
Code Section 415 Limit for Defined Contribution Plans	\$70,000	\$72,000
Code Section 415 Limit for Defined Benefit Plan Maximum Annual Benefit	\$280,000	\$290,000
IRA Contribution Limit	\$7,000	\$7,500
Age 50+ Catch-up Contribution Limit (Code Section 414(v)(2)(B)(i))	\$7,500	\$8,000
Age 60-63 Enhanced Catch-up Contribution Limit*	\$11,250	\$11,250
Qualified Plan Compensation Limit under Code Section 401(a)(17)	\$350,000	\$360,000

Compensation Threshold for Simplified Employee Pensions ("SEPs") (Code section 408(k)(2)(C))	\$750	\$800
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\* 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). This special catch-up rule is available for 401(k), 403(b), and governmental 457(b) plans; SIMPLE plans; and Salary Reduction Simplified Employee Pensions ("SARSEPs"). Plans do not have to allow these enhanced catch-up contributions.

## IRS Announces Inflation-Adjusted PCORI Fee

The annual fee that group health plans must pay to fund the Patient-Centered Outcomes Trust Fund will be \$3.84 (up from \$3.47) times the plan's average number of covered lives for plan years ending on or after October 1, 2025 and before October 1, 2026. The IRS announced the higher fee in [Notice 2025-61](#).

Originally enacted as part of the Affordable Care Act, the fee was initially scheduled to sunset in 2019. However, the Further Consolidated Appropriations Act, 2020, extended it for an additional 10 years.

### Who is Responsible for the PCORI Fee?

In the case of fully-insured plans, the PCORI fee is paid by the insurance issuer. However, the responsibility falls to the plan sponsor for any "applicable self-insured health plans." The PCORI fee applies regardless of whether the applicable self-insured health plan is sponsored by a private employer, or a state and local government employer.

The term "applicable self-insured plans" generally includes major medical plans for active employees, retirees, and COBRA beneficiaries. The fee does not apply to accident-only, and hospital or other specified disease indemnity plans. Health Reimbursement Arrangements (HRAs) and Flexible Spending Arrangements (FSAs) technically are subject to the fee unless they qualify as "excepted benefits." Health Savings Accounts (HSAs) are not subject to the PCORI fee.

### How the PCORI Fee is Calculated, Reported and Paid

The PCORI fee is calculated on the average number of lives covered under an applicable self-insured health plan. Generally, plan sponsors of applicable self-insured health plans must use one of the following three alternative methods to determine the average number of lives covered under a plan for the plan year.

- Actual Count Method
- Snapshot Method

- Form 5500 Method

The fee generally must be reported and paid by filing the Form 720 (Quarterly Federal Excise Tax Return) no later than July 31 of the calendar year immediately following the last day of the policy year or plan year to which the fee applies. For calendar year plans, the \$3.84 per covered participant fee will be due by July 31, 2026.

Additional information about the fee, including how to calculate and pay it, is available on the [IRS's website](#).

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## Courts Weigh in on Legal Challenges to Pension Risk Transfers

Since 2024, over a dozen class-action lawsuits have been filed against large employers with defined benefit ("DB") pension plans challenging the employer's decision to transfer some or all of the plan's liabilities to an insurance company, in a transaction called a "pension risk transfer" ("PRT"). Several district courts have issued rulings in PRT cases, and more are expected in late 2025 and in 2026.

### Background

ERISA requires employers to act as fiduciaries when selecting an insurance company to take over a DB plan's benefit liabilities, such as when a plan sponsor buys an annuity from an insurance company to pay any remaining DB plan benefits to participants. These "pension risk transfer" transactions shift the plan's liability from the plan (and, indirectly, the Pension Benefit Guaranty Corporation) to the insurance company. PRTs have become more popular among large employers in recent years as companies face challenges maintaining their DB plans due to high administrative costs and funding volatility.

Beginning in 2024, several class-action lawsuits have been filed against employers that have engaged in PRTs. These cases allege that the employer breached its fiduciary duty when selecting the insurer for the PRT to provide annuities to plan participants because the selection did not meet the "safest available annuity" standard set forth by the Department of Labor in Interpretive Bulletin ("IB") 95-1.

Department of Labor [IB 95-1](#) is a guidance document that requires fiduciaries choosing an annuity provider for a PRT to take steps that are calculated to obtain the "safest annuity available." For example, the fiduciary must conduct a thorough search when selecting an insurance company and must consider several factors, such as the company's creditworthiness. The plaintiffs argue that, because the selection did not meet this standard, plan participants have suffered an increased and significant risk that they will not receive the full plan benefits owed to them. Most of the PRT lawsuits involve the same annuity provider, which is owned by an offshore private equity company, and which the plaintiffs argue is riskier than a traditional life insurance company.

Despite these allegations, however, there have been no reports that a PRT has ever adversely affected participants' benefits.

## Status of PRT Cases

Of the 13 PRT cases that have been filed to date – some of which have been consolidated, leaving 10 outstanding cases – three have been dismissed at the district court level, mostly on the grounds that the plaintiffs did not sufficiently allege that they had been harmed by the PRT or that their benefits are at risk of being reduced in the future. In another case, a magistrate judge has recommended the lawsuit be dismissed, but the district court judge must review and approve (or disapprove of) the recommendations. Four lawsuits are still waiting for the district court to rule on whether they should be dismissed.

In two cases, the district court refused to dismiss the case. In these cases, the courts found that the plaintiffs had standing – i.e., a legal right – to sue because there was a real possibility that the participants' benefits would be adversely affected in the future.

## Outlook

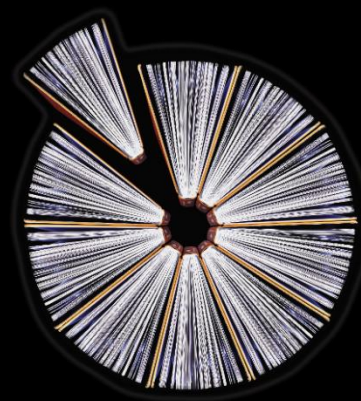
The initial wave of district court rulings paints a promising picture that many of these lawsuits are not able to survive past the dismissal stage of litigation because the plaintiffs cannot show any harm resulting from the PRT. However, because at least two cases have survived dismissal, DB plan sponsors that are considering PRT transactions should ensure that their insurer selection process closely adheres to IB 95-1's "safest available annuity" standard, and they should take steps to mitigate risks as part of their due diligence processes.

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