



## Changes Geared Towards Small Employers

March 2020



The **SECURE Act** was signed into law in December 2019 and made many changes that may affect your retirement plans.

This is the **fourth article** in a series to address the changes to retirement plans under the SECURE Act. A few provisions of the SECURE Act were developed specifically to encourage small employers to offer retirement plans

to their employees.

### Tax Credits

The tax credit for small employers starting a new retirement plan has increased. An employer can now claim a credit from \$500 to \$5,000 each year for 3 years. The credit is calculated by multiplying \$250 by the number of non-highly compensated participants eligible for the new plan. The credit is also capped at 50% of the total start-up costs.

In addition, there is a new tax credit for small employer who use automatic enrollment. If an employer starts a new plan with an automatic enrollment feature an additional credit of \$500 per year for 3 years is available. This tax credit also applies if an automatic enrollment feature is added to an existing plan.

These credits are available for the 2020 tax year. You should consult your tax advisor to see if your company could be eligible for these tax credits.

### Multiple Employer Plans

Beginning in **2021**, a new type of defined contribution plan can be adopted by employers. This plan is referred to as a Pooled Employer Plan (or "PEP"). Generally, this will allow multiple employers (regardless of whether they are related to each other or in the same industry) to adopt a single retirement plan. The goal of the new PEP is to allow small employers to take advantage of economies of scale with respect to the fees and expenses related to maintaining a retirement plan and the choice of investment options offered under a retirement plan. It is expected that large

financial institutions and retirement plan recordkeepers will sponsor these plans and allow small to mid-size companies to participate.

Since the new PEP have different requirements than the current Multiple Employer Plans (MEPs), we expect more guidance from the Department of Labor and the Internal Revenue Service about these plans and their reporting requirements.

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If you have questions or would like to  
make changes to your plan,  
please contact your Analyst at [336.271.4450](tel:336.271.4450) or [recordkeeping@stanleybenefits.com](mailto:recordkeeping@stanleybenefits.com)

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**Stanley Benefit Services, Inc.**  
7800 McCloud Rd., Suite 200  
Greensboro, NC 27409

Phone: 336.271.4450  
Fax: 336.271.4455



PO Box 8249  
Greensboro, NC 27419