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Torrillo & Associates

Benefit Plan Audit Specialists

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IRS provides Guidance on SECURE Act that Increases Automatic Enrollment Cap Percentage and Eases Burdens for Certain Safe Harbor Plans



The Internal Revenue Service recently issued Notice 2020-86 addressing certain provisions of the Setting Every Community Up for Retirement Enhancement Act of 2019 (SECURE Act) affecting safe harbor plans, including safe harbor 401(k) plans and certain 403(b) plans.

A safe harbor 401(k) plan is similar to a traditional 401(k) plan but is structured in a way that certain compliance testing can be avoided. Among other things, a safe harbor 401(k) plan must provide for employer contributions that are fully vested when made. These contributions may be employer matching contributions, limited to employees who defer, or employer contributions made on behalf of all eligible employees, regardless of whether they make elective deferrals.

Notice 2020-86 is written in the form of questions and answers to assist small businesses and other employers that maintain safe harbor plans comply with the SECURE Act.

The SECURE Act generally increases from 10 percent to 15 percent the maximum automatic elective deferral under an automatic enrollment safe harbor plan. It also eliminates certain safe harbor notice requirements for plans that provide safe harbor nonelective contributions and adds new provisions for the retroactive adoption of safe harbor status for those plans.

The notice provides initial guidance on these provisions of the SECURE Act and impacts certain safe harbor 401(k) and 401(m) plans (including 403(b) plans that apply the 401(m) safe harbor).



Notice 2020-86 is intended to assist taxpayers by providing guidance on particular issues while the Treasury Department and the IRS develop regulations to fully implement these provisions of the SECURE Act.



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Who We Are

Torrillo & Associates, LLC specializes in employee benefit plan audits including 401k audits, 403b audits, pension plan audits, and other retirement plan audits. We are licensed in 10 states including Pennsylvania, New Jersey, Delaware, New York and Florida. We are also able to practice in additional states that have passed firm mobility.

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