

IRS Permits Mid-Year Changes to Safe Harbor 401(k) Plans

February 5, 2016

In Notice 2016-16, the IRS announced that certain mid-year changes to a safe harbor retirement plan or to its safe harbor notice will not violate applicable safe harbor rules so long as new participant notice and election-change conditions are satisfied and the mid-year change is not one of several changes specifically prohibited in the Notice. Generally, safe harbor retirement plans must be effective for an entire 12-month plan year unless a specific exception applies, such as for a short initial or final plan year, among others. The Notice now permits safe harbor retirement plans to make certain mid-year plan design changes. If the change involves an item that is required to be included in the plan's annual safe harbor notice, an updated safe harbor notice that describes the change must be provided to plan participants either (i) within a reasonable period of time prior to the effective date of the change (typically between 30 and 90 days) or (ii) no later than 30 days after the change is adopted if providing advance notice is not practicable, such as with a retroactive plan amendment. In addition, each eligible participant must generally be given at least 30 days to make changes to his or her deferral elections under the plan. The Notice is available [here](#).