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NEWSLETTER

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IRS Extends a Roth Catch-Up Requirement

PAs the Wall Street Journal pithily summarizes it, "Higher earners age 50 and up will get two more years to use pretax dollars for all of their retirement savings in 401(k)s and similar plans, after the Internal Revenue Service delayed a new requirement."

The IRS has announced an administrative transition period that extends until 2026 the new requirement that any catch-up contributions made by higher-income participants in 401(k) and similar retirement plans must be designated as after-tax Roth contributions.

The IRS has also clarified that plan participants who are age 50 and over can continue to make catch-up contributions after 2023, regardless of income.

According to the guidance, starting in 2024, the new Roth catch-up contribution rule applies to an employee who participates in a 401(k), 403(b) or governmental 457(b) plan and whose prior-year Social Security wages exceeded $145,000.

The administrative transition period will help taxpayers transition smoothly to the new Roth catch-up requirement and is designed to facilitate an orderly transition for

compliance with that requirement, according to the IRS. The notice also clarifies that the SECURE 2.0 Act does not prohibit plans from permitting catch-up contributions, so plan participants who are age 50 and over can still make catch-up contributions after 2023.

The Treasury Department and the IRS say that will be issuing future guidance to help taxpayers, and the notice describes several positions that are expected to be included. As with most IRS announcements, the rules can be complex. Be sure to get competent advice to make sure you understand how this change may affect you.

4 Common Types of Employee Complaints

Whenever an employee files a complaint with the HR department, the issue at hand should be taken seriously. Failure to properly address the matter, whether intentional or not, can result in the employee feeling demoralized. Employees who do not feel heard may turn to the internet or media outlets and air their grievances publicly.

You may run the risk of losing the employee to your competitors or being the receiving party of a lawsuit. None of these possible outcomes is favorable, and all of them stand the chance to damage your company's reputation and cost you expensive monetary consequences in the form of penalties or fines while decreasing overall employee morale.

For these reasons and more, it is imperative that you make an effort to reduce the likelihood of your employees making complaints about the workplace. This all starts with understanding the types of complaints that employees often make. Below are four of the most common.

1. A lack of clarity regarding job responsibilities

According to a recent Gallup report, "only 60% of workers can strongly agree that they know what is expected of them at work. When accountability and expectations are moving targets, employees can become exhausted just trying to figure out what people want from them."

In other words, employees need to have a clear and defined understanding of what their job duties entail so that they know what they must do on the job.

2. Problems pertaining to payment

While certain federal and state requirements speak to how payroll must be handled via wage and hour labor laws, employee complaints about pay remain rampant. In fact, in 2022, the U.S. Department of Labor distributed more than $9.1 million to over 1,600 workers who were owed wages. In that situation, 1,600 employees received $1,393 in back wages.

Common issues with employee pay often manifest in the following ways:

- Violations in terms of minimum wage or overtime pay.
- Employers pay employees less than the market rate for the position.
- Lower pay based on gender, race or ethnicity.
- Mistakes resulting from payroll errors during data entry.

To the best of their abilities, employers should prioritize

the adoption of equitable and compliant pay practices while doing all that they can to reduce the likelihood of payroll mistakes.

3. Work environments that feel hostile

By definition, a hostile work environment is a workplace that is disruptive to the point where it impacts the ability of employees to properly perform their work duties. Hostile behavior is typically illegal when it is discriminatory in nature, intense, pervasive, frequent and unwelcomed.

To give you an idea of what a hostile work environment may look like, here are several signs to watch out for:

- Discrimination.
- Harassment.
- Bullying.
- Toxic relationships.
- Threats.
- Violence.

Employees who do not feel psychologically safe at work.

A hostile work environment is one of the main reasons employees pay HR a visit. HR should resolve the complaints in an objective and fair manner and take steps to prevent the problem from reoccurring.

4. Performance reviews that seem unfair

In a 2019 study, a shocking 85% of employees stated that they would consider quitting their jobs if they were to receive a performance review that they perceived as unfair. Now, in many cases, employees have the wherewithal to challenge an unfair review and request that HR revise the review they were given rather than resorting to quitting right away, but not all employees understand that they can do this.

Regardless, the best way to mitigate the chances of employees receiving unfair reviews is for managers to provide their employees with accurate, fact-based and unbiased feedback on a reasonable and regular basis. Doing so can help employers justify their formal performance reviews, and employees will be more likely to accept the feedback they receive as well.

Is This Your Situation: Confused About How to Track Attendance

While standard time clocks and punch cards are still being used, they have long been subject to tampering, misuse and accidental recordings. Over the years, various technological resources have emerged to help companies better track the time of their hourly employees. Everything from electronic clocks to biometric tools can keep your records up to date and your employees paid on time. Here are some ways technology can help you track attendance.

- Online timekeeping. There are multiple online services that are either free or come as part of a payroll and accounting package that offer the ability for your employees to track their time online. This is particularly helpful with any off-site employees or even temporary workers.

- Access cards. Another popular tool for many businesses is an entry keycard. It is used to access the building and then to exit and re-enter the building during lunch hours and breaks. This then records the information and provides it to the payroll department. It is much more reliable than time clocks, but still has some vulnerabilities.

- RFID scanners. A new version of the access card technology, which in the past often needed an imbedded antenna coil and capacitor to work, is RFID, which stands for radio frequency identification. This uses electromagnetic fields to transfer data and doesn't need to be waved in proximity to a reader. Employees will be tracked simply by having it on their person in the office.

- Biometric readers. Don't you love in the movies when people use a thumbprint or a retinal scan to enter a classified room in their building? These things are no longer science fiction. They can be used in office buildings today to track the movement of your

employees and, by default, track their time on the job.

How does your company currently record time for hourly employees?

Avoid 401(k) Compliance Mistakes

As an employer, one of your main goals should be keeping your employees happy. And you can keep your employees happy without losing favorable 401(k) tax benefits, paying penalties or facing liabilities.

In the process, don't forget to take the changes caused by the SECURE 2.0 Act into consideration, namely in terms of retirement savings plans. SECURE 2.0 might mean you have to make amendments to any of your company's existing plans or retirement account offerings.

When you're looking to avoid costly mistakes while keeping everyone satisfied, keep the following 401(k) compliance requirements in mind.

Amend all retirement plans

Amend all retirement plans in line with changes that are made to the law. These changes can either be statutory, regulatory or government mandated, so stay in the know and pay attention to all the possibilities.

More specifically, take a moment to revise the changes caused by SECURE 2.0, especially because over 90 changes have been enacted. There are also differences between discretionary and optional plan adjustments.

Define the details of the plans

It's important to make sure the 401(k) plan operates in alignment with the terms associated with it. If this is not the case, negative tax consequences or a breach of fiduciary duty, if not both, may result. Properly define the meaning behind compensation and then use that definition to determine allocations for each employee's 401(k) plan.

Confirm your employees are eligible for the plans

Always ensure that applicable employer-matching contributions as well as nonelective contributions are distributed in a timely fashion. Making sure the proper allocations are distributed to each employee is essential as well. Double-check the eligibility of your employees and whether they can reap the benefits of your 401(k) plans.

Pay attention to the administrative side of the plans

As an employer, it is important that you ensure all of your employees' 401(k) plans are properly managed and handled. Employees who participate in work-related 401(k) plans can borrow from their 401(k) plan if that is an option you make available to them.

However, if employees choose to withdraw from their 401(k) plans, then legal compliance must be intact. Ensure your employees understand that the money they borrow must be repaid in a timely fashion in order to avoid interest fees or additional taxes.

Stay on top of tax-related matters

When offering 401(k) plans to your employees, you must file Form 5500, which details your annual returns-related information. This form must be submitted to the Department of Labor so that you can avoid having to pay significant late fees or deal with associated penalties.

Also, it's your responsibility to deposit elective deferrals on behalf of your employees. Provisions implemented by SECURE 2.0 yield a lot of new benefits that are intentionally designed to make offering retirement plans to your employees more attractive for you as an employer.

Furthermore, the Consolidated Appropriations Act of 2023 adds to SECURE 2.0. Ultimately, SECURE 2.0 addresses a number of issues that deterred employees from participating in employer-backed 401(k) plans in the past.

Always make sure you adhere to the rules of contributing and withdrawing from retirement accounts. For example, you have to let your employees make automatic withdrawals or contributions without being subject to the 10% penalty resulting from early withdrawals.

Also, SECURE 2.0 has expanded the Employee Plans Compliance Resolution System, allowing for more leeway when it comes to the correction of internal errors. New rules have been added in terms of handling overpayments as well. To see the specifics of the rules surrounding 401(k) compliance, visit the DOL and Treasury Department websites.

When to Change an HR Policy

Human resources policies set the rules and guidelines for an organization's workforce practices. These policies include:

- Workforce planning.
- Recruiting.
- Hiring.
- Training.
- Employee development.
- Compensation.
- Employee benefits.
- Performance management.
- Setting work schedules.
- Payroll.
- Employee relations.
- Health and safety.
- Organizational culture.
- HR technology.
- HR compliance.
- Employee retention.

Such policies provide the HR department with an operational framework and communicate workforce-related information to employees at all levels.

For best results, the policies must reflect current business requirements. But with so many policies to navigate, how can you tell when it's time to revise your company's policies? Following are four ways.

1. The governing law has changed

Most HR policies are tied to regulatory compliance — meaning that federal, state or local government requires the implementation, enforcement and maintenance of the policy. When the governing law changes, employers must make policy adjustments.

Oftentimes, the regulatory changes take effect at the start of the year. However, it's not uncommon for some changes to happen midyear. Either way, HR professionals must remain on the lookout for regulatory developments and implement the policy changes by the required deadline.

These changes may pertain to minimum wage, overtime, paid sick leave, health and safety, equal pay, and more.

2. Problems with the current policy

If an existing policy is ill structured, it's time to revisit and repair it.

For instance, deficiencies in these and other policies are likely to cause organizational problems:

- Bullying.
- Harassment.
- Discrimination.
- Code of conduct.
- Drug and alcohol use.
- Time off from work.
- Clocking in and out.
- Social media use.
- Performance evaluations.
- Disciplinary procedures.

If your code of conduct, for example, doesn't say what constitutes unacceptable behavior at work, then you need to update it accordingly.

3. Organizational changes

Organizational changes can stem from external and internal sources.

For instance, the COVID-19 pandemic prompted many employers to go remote or to adopt hybrid work models. HR professionals for these employers had to establish appropriate remote or hybrid work policies.

Moreover, changes in the following organizational areas may prompt HR policy adjustments:

- Company mergers.
- Leadership hierarchy.
- Workforce management technology.
- Workplace communication.
- Workplace culture.

Economic growth and decline can spawn a number of

organizational changes, including policies on promotions and layoffs. Your HR policies should address the relevant organizational changes.

4. A competent source recommends the change

If a qualified source suggests that you change an HR policy, then be sure to consider it. Such recommendations may come from department heads, industry consultants, or business partners, such as vendors and service providers.

HR should get expert legal advice to ensure proper application and communication of revised policies.

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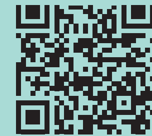

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