



COVID-19 Latest Insights

CARES ACT PROVISIONS NOT EXTENDED

An unpleasant aspect of the package was that the CARES Act provisions, perhaps most importantly the loan suspension, was not extended past the original sunset dates. As a reminder that means that participants who elected to suspend loans under the CARES Act should be expecting them to resume with the first paycheck in January of 2021.

PARTIAL PLAN TERMINATION RELIEF

The recently passed COVID stimulus package provides safe harbor relief to employers from the partial plan termination rules stating:

“A plan shall not be treated as having a partial termination (within the meaning of 411(d)(3) of the Internal Revenue Code of 1986) during any plan year which includes the period beginning on March 13, 2020, and ending on March 31, 2021, if the number of active participants covered by the plan on March 31, 2021 is at least 80 percent of the number of active participants covered by the plan on March 13, 2020.”

This is a key bit of relief as avoiding a partial plan termination means not having to bring affected participants to full vesting. It is important to note that the 80 percent is based on headcount, not identical employees.

In other words, if some terminated participants during the delineated period found alternative employment and do not return to the employer, but the employer filled their vacancy with another individual, said hire is included in the determination of the 80 percent.

DISASTER RELIEF

The package also provides typical disaster relief (distributions and loans) for participants that reside in a presidentially declared disaster area. It is important to note, this is not a COVID provision and does not apply to areas declared disasters due to COVID. As with other disaster relief packages, this increases the distribution/loan amounts up to \$100,000 with no penalty, allows for tax inclusion ratably over three years, and allows the amounts to be repaid to a qualified plan or IRA to avoid taxation.

MONEY PURCHASE PENSION PLANS

The legislation clarifies that the CARES Act relief extends to money purchase pension plans.

ADDITIONAL RETIREMENT RELIEF

The package also includes a few directly, and indirectly, retirement bits of relief including:

- Allowing certain construction/building trade workers at the age of 55 to receive benefits to continue to work whilst receiving benefits
- Relief of qualified pension plan transfers for covering future retiree costs within pension plan
- Changes to the Employee Retention Tax Credit which covers wages and benefits, including 401(k) contributions

These are all items that should be considered in the ongoing administration of retirement plans. If you have any questions, please contact our team.



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