



Practical and Tactical Actions for Plans Amid the Challenging Environment

Agenda

- What are plan sponsors asking now?
- What's happening legislatively?
- Access 401(k) assets as a last resort
- What will plan sponsors do next?

Part I: What are plan sponsors asking now?

Top 5 Plan Topics

1. Can a plan be amended to remove employer contributions?
2. Can a safe harbor 401(k) plan be amended to suspend or eliminate the safe harbor contribution?
3. When does a partial plan termination happen and what are the ramifications?
4. Can we change the plan's funding frequency from per payroll to year end?
5. Are hardship distributions as a result of Covid-19 exempt from the 10% early distribution penalty tax?

Part II: What's happening legislatively?

“CARES” Act –HR 748

Coronavirus Aid, Relief, and Economic Security Act

- Temporary waiver of required minimum distribution rules for 2020
- 10% early distribution penalty waiver for first \$100,000 taken due to Coronavirus; may be paid back within 3 years; can spread taxation over 3 years
- All plan loan repayments due before December 31, 2020, delayed for one year
- Maximum plan loan amount increased to lesser of \$100,000 or 100% of vested accrued benefit (was lesser of \$50,000 or half of vested accrued benefit)

“CARES” Act –HR 748

Coronavirus Aid, Relief, and Economic Security Act

- Expansion of DOL authority to postpone certain deadlines
- Delay in payment of 2020 minimum required contributions for single employer DB plans until January 1, 2021
- DB Benefit restriction status: A plan sponsor may elect to treat the plan’s adjusted funding target attainment percentage (AFTAP) for the last plan year ending before January 1, 2020, as the AFTAP for plan years which include calendar year 2020.

Part III: Access 401(k) assets as last resort

Do a cash-flow analysis

- Consider other sources than retirement plans
- Explore CARES Act relief
- Temporary or contract work
- Bank deposits and money market savings
- Severance payments
- Unemployment benefits
- Cash value in insurance
- Social Security benefits
- Securities held in taxable accounts
- Other sources of income
- Stock compensation
- Retirement plan

Part IV: What will plan sponsors do next?

Game Plan

- Shore up existing plans
- Update the plan governance process
- Complete a plan design check
 - Features
 - Investments
 - Service providers
- Anticipate more plans in motion in second half of 2020