



## **CARES Act of 2020 Retirement Plan Provisions**

On Friday, March 27, 2020, Congress passed the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) which provides economic relief to individuals, businesses, local and state governments and health care systems financially impacted by COVID-19. Along with many other provisions, the legislation contained certain provisions applicable to retirement plans.

### **Defined Benefit Plan Contribution Deadline Extension**

The deadline for all contributions to single employer pension plans, otherwise due in 2020, has been extended to January 1, 2021. This applies both to quarterly contribution due dates and the final due date for satisfying the prior year minimum required contribution. Amounts due will need to be increased with interest from the original due date to the date actually paid, reflecting the Plan's effective interest rate.

### **AFTAP Relief for 2020**

Plan sponsors can elect to use the Adjusted Funding Target Attainment Percentage (AFTAP) for the last plan year ending before January 1, 2020 as the AFTAP for plan years that include all or part of the 2020 calendar year. For plans that use a calendar plan year, this would mean setting the 2020 AFTAP equal to the 2019 AFTAP. For off-calendar plan year plans, this relief is a bit more complex and there remain some unanswered questions that we hope will be clarified for us soon.

### **Retirement Plan Relief for Distributions and Loans**

For certain individuals impacted by the COVID-19 pandemic, the CARES Act provides participants with greater access to distributions and loans from their retirement plans. Plan sponsors may decide to amend their plans to provide for this relief.

*Qualified individuals, as defined in the Act, can receive tax-favored distributions of up to \$100,000.*

Cares Act distributions are more favorable than existing hardship distributions in that:

- Participants will not have to pay the 10% excise tax that would normally apply if they are younger than 59 ½
- Participants can spread out the income tax due on the distribution over three years
- Participants can repay the distribution within three years to any eligible retirement plan.

*Qualified individuals, as defined in the Act, can take plan loans up to the lesser of 100% of the present value of their vested benefits, or \$100,000.*

Cares Act loan limit increases only apply for existing loans or new loans made within 180 days from the Act's enactment. After the 6 month period ends, the loan limits revert back to the lesser of 50%, or \$50,000. Additionally, such individuals can delay repayments by one year for any repayments due between the enactment of the CARES Act and the end of 2020. Interest will continue to accrue during the delayed repayment period. The period of delay is not counted toward the loan term limits.

## **Required Minimum Distributions (RMDs)**

RMD requirements are temporarily waived for 2020 for defined contribution and individual retirement plans (e.g., IRAs) only. Any RMDs distributed already in 2020 are eligible for rollover treatment. This waiver does not apply to defined benefit plans.

## **Regulatory Authority to Delay Certain Deadlines due to COVID-19**

The CARES Act added “a public health emergency declared by the Secretary of Health and Human Services” to the list of events that allow the Department of Labor to delay, for up to one year, certain deadlines. Deadlines that could be extended under this expansion of the DOL’s authority include certain required notices and government filings (e.g., Form 5500 ). It remains to be seen what action the DOL will take in this regard.

## **IRS Extended Deadline for adopting pre-approved defined benefit plans**

Also on, March 27<sup>th</sup>, the IRS announced that it was extending the April 30, 2020 deadline for employers to adopt a pre-approved defined benefit plan and to submit a determination letter application (if applicable). The new deadline is July 31, 2020.

**Should you have any questions regarding the provisions above, wish to discuss making an AFTAP election, or would like to amend your plan for any of the optional provisions, please contact us.**

