

PLAN OPTIONS:

Extended Deadlines for Plan Sponsors

The federal government is giving employees and plan sponsors latitude when it comes to retirement plan distributions, loans, discretionary matches and amendment deadlines. The following highlight some of the ways plan sponsors and employees may seek financial relief during this crisis caused by the coronavirus, as well as what plan sponsors should consider in the case of partial plan termination or employee severance.



Loans and Distributions Are Optional

According to the IRS, it's optional as to whether plan sponsors allow loans and distributions to help provide financial relief for its participants. If they do choose to make these options available, the deadline for plan amendments has been extended to the last day of the first plan year beginning on or after Jan. 1, 2022, so for calendar-year plans, the deadline to amend plans is Dec. 31, 2022. This offers plan sponsors some flexibility in being able to provide participants relief right away but gives them time to amend their plans.

As a reminder, if allowed by the plan, eligible participants may withdraw, penalty free, up to \$100,000 between Jan. 1, 2020 and Dec. 31, 2020. As far as loans, if allowed by the plan, participants can take a loan equal to the lesser of \$100,000 or 100% of their vested account balance. This only applies to loans made on or before September 23, 2020 (180 days following enactment of the CARES

Act). Employees must self-certify that they meet the requirements for a distribution or loan. As a plan sponsor, you may want to make employees aware that there are differences between federal and state taxation of the distribution. Depending on the state, there could be a state tax liability that could have a material impact on participants.

Employer Contribution Deadlines Are Extended

The federal government is delaying plan contribution deadlines—any contribution due in calendar year 2020 (including quarterly contributions) has a delayed due date of Jan. 1, 2021.

Employers must pay interest on delayed contributions, from the original due date to payment date, using the effective rate of interest in the plan year that includes the payment date.

For non-calendar year plans, the effective rate of interest could be different for contributions due in 2020, depending on which plan year they are due. For example, payment for a plan year ended June 30, 2020 could use a different rate than the first quarterly contribution due for a plan year ended June 30, 2021.

Flexibility on Discretionary Matches

If a plan's document says the match is discretionary, plan sponsors can decide whether or not to contribute a match and that makes the decision to suspend the match simpler. In this case, plan sponsors can suspend their match right away.

However, with safe harbor 401(k) or 403(b) plans, plan sponsors must give a 30-day notice to plan participants that the match will be suspended, and the plan sponsor cannot start to suspend the match until after the 30 days. Either way, plan participants should be notified if a plan sponsor suspends a match. During this time, with people working remotely or if they are laid off or furloughed, plan sponsors should work with their providers to help ensure notices are delivered.

Whether the plan document has to be amended depends on the language in the plan document; if there is a specific match formula in the plan document, it will have to be amended by the end of the plan year.

Partial Plan Termination

According to IRS guidance, a partial termination is presumed to occur when more than 20% of plan participants are terminated in a particular year. This might be a likely scenario for small businesses affected by the coronavirus. Once a partial termination is triggered, affected participants must be 100% vested in benefits accrued as of the partial termination date. This is true for partial terminations of defined contribution as well as defined benefit (DB) plans.

Sources:

"Coronavirus Relief Update," American Retirement Association, presentation.

"CARES Act FAQ," American Retirement Association and National Association of Plan Advisors.

["Plan Sponsors Facing Difficult Decisions,"](#) plansponsor.com.

["Is That Covid-19 Distribution Subject to State Taxes?"](#) National Association of Plan Advisors

This article is limited to the dissemination of general information pertaining to Mariner Wealth Advisors' investment advisory services and general economic market conditions. The views expressed are for commentary purposes only and do not take into account any individual personal, financial, or tax considerations. As such, the information contained herein is not intended to be personal legal, investment or tax advice or a solicitation to buy or sell any security or engage in a particular investment strategy. Nothing herein should be relied upon as such, and there is no guarantee that any claims made will come to pass. Any opinions and forecasts contained herein are based on information and sources of information deemed to be reliable, but Mariner Wealth Advisors does not warrant the accuracy of the information that this opinion and forecast is based upon. You should note that the materials are provided "as is" without any express or implied warranties. Opinions expressed are subject to change without notice and are not intended as investment advice or to predict future performance. Past performance does not guarantee future results. Consult your financial professional before making any investment decision.

Mariner Wealth Advisors ("MWA"), is an SEC registered investment adviser with its principal place of business in the State of Kansas. Registration of an investment adviser does not imply a certain level of skill or training. MWA is in compliance with the current notice filing requirements imposed upon registered investment advisers by those states in which MWA maintains clients. MWA may only transact business in those states in which it is notice filed or qualifies for an exemption or exclusion from notice filing requirements. Any subsequent, direct communication by MWA with a prospective client shall be conducted by a representative that is either registered or qualifies for an exemption or exclusion from registration in the state where the prospective client resides. For additional information about MWA, including fees and services, please contact MWA or refer to the Investment Adviser Public Disclosure website (www.adviserinfo.sec.gov). Please read the disclosure statement carefully before you invest or send money. Securities Offered through MSEC, LLC, Member FINRA & SIPC, 5700 W. 112th Suite 500, Overland Park, KS 66211.

Severance-related Distributions

The determination of whether an individual has severed employment is based on the facts and circumstances. If there's a reasonable expectation the individual will return to work, there is no severance. However, if a plan sponsor determines that a severance has occurred, it is an event that triggers a distribution for most plans and could accelerate loan repayment. It could also result in partial plan termination and full vesting. If there is no severance, none of the above apply.

Partner With the RPS Team

The Retirement Plan Solutions team at Mariner Wealth Advisors can offer advice on what type of coronavirus relief your plan might provide as well as guidance on plan amendments. We are also monitoring the Department of Labor updates regarding the potential extension of other plan-related deadlines. We understand that navigating the new rules under the new legislation can be challenging, so please reach out to our team for assistance to help ensure your plan meets plan and compliance requirements.