

WEBINAR

COVID-19 Business Resources Webinar

Employer Resources: How COVID-19 Could Impact Your Retirement Plan

Bobby LaCour, Partner, Aldrich CPAs + Advisors

David Bretthauer, QKA, QPA, CPC, Senior Pension Consultant

David W. Strom, QKA, QPA, President

Aldrich Retirement Solutions





Bobby LaCour

PARTNER, ALDRICH CPAs + ADVISORS

Bobby has over fifteen years of experience in public accounting while serving his clients in the government, nonprofit, and private middle-market sectors.

He specializes in providing consulting, attest and accounting services, in addition to an extensive background in internal control and operations analysis.

MEET YOUR PRESENTERS



David Strom, QPA, QKA

PRESIDENT

David leads Aldrich Retirement Solutions to provide high quality, cost-effective services for our clients. He is a creative retirement plan expert who designs, consults and administers qualified retirement plans for profitable businesses and non-profit organizations of all sizes.

He specializes in cash balance plans and pension plans to provide for enhanced tax-deferred retirement contributions for partners and shareholders of closely held firms.



David Bretthauer, CPC, QPA, QKA

SENIOR PENSION CONSULTANT

David is an accomplished pension professional with over 15 years of experience in the retirement plan industry. In addition, he served as a technical compliance specialist with 10 years of experience as a qualified retirement plan consultant.

He has a unique skill set that combines a deep understanding of retirement plan mechanics with an understanding of how to employ them to meet plan sponsor needs.

- CARES Act Relief
- Employee access to their account balances
- Plan administration & investment expenses that the Plan can pay
- Options for reducing employer contributions
- Employee 401(k) Deferrals
- Considerations for Plan Termination

The information provided herein does not, and is not intended to, constitute legal advice; instead, all information, content, and materials available are for general informational purposes only. Readers of this presentation should contact their attorney to obtain advice with respect to any particular legal matter. The information was updated as of April 13, 2020 and we recognize it may change. Please contact your Aldrich Advisor for the most up to date information for your situation.

Focus On:

CARES Act Relief

Employee Access to Their Account Balances

Coronavirus Aid, Relief and Economic Security Act (CARES Act)

- Signed into law March 27, 2020
- Several provisions in the Act provide for:
 - Employee access to their accounts with withdrawals and loans
 - Flexibility in contribution timing



CARES ACT

Coronavirus-related withdrawal

- Must be a “Qualified Individual”
 - Diagnosed with COVID-19
 - Spouse of someone diagnosed
 - Out of work or reduced work hours because business shut down due to COVID-19
 - Unable to work due to lack of childcare on account of COVID-19
- Plan sponsor may rely on the employee’s certification



CARES Act Coronavirus Withdrawals

- 10% early distribution tax does not apply
- 20% withholding and notice requirements do not apply
- Income tax can be spread ratably over 3 years

Total Withdrawals Cannot Exceed \$100,000

- Can be multiple withdrawals during 2020
- Limit applies to all plans of an employer in a controlled group

CARES Act Withdrawals May Be Repaid

- During 3-year period beginning on day after the withdrawal
- May repay in one or more contributions
- Repayment contributions may be made to a different plan or IRA
- Repayment treats the withdrawal as a tax deferred rollover

CARES Act – Plan Loans

- Qualified Individuals may have increased loans limits:
 - Lesser of
 - \$100,000 (up from \$50,000), or
 - 100% (up from 50%) of the participant's vested account
 - The increased loans are available during 180 day period after CARES enactment (3/27/2020 to 9/23/2020)
- Qualified Individuals who have an existing participant loan may delay their loan payments for one year during the period from March 27, 2020 to December 31, 2020



CARES Act Minimum Required Distributions

- Minimum required distributions due for 2020 are waived
 - Applies to 401(k), profit sharing, money purchase, 403(b), governmental 457(b) plans, and IRAs
 - Applies to 2019 RMDs due by April 1, 2020 and to 2020 RMDs
 - Waived RMDs may be rolled over if a distribution is taken



CARES ACT PLAN AMENDMENTS

CARES Act – Plan Amendments

- Deadline to adopt an amendment for any of the CARES Act relief:
 - Last day of the first plan year beginning on or after January 1, 2022
 - Retroactive to 2020
 - Must operate the plan as if the amendment were in effect



Department of Labor (DOL) has expanded authority to postpone certain deadlines

- Form 5500
- Summary Annual Report
- Required Notices

OTHER BENEFIT PAYMENT OPTIONS

Furlough vs. Layoff

Furloughed employees are still employed and cannot take a benefit payment for termination of employment

Can take a withdrawal if the plan provides for it

- If FEMA declares a disaster in the area where the participant lives or works this can qualify for a hardship withdrawal
- Check that your plan provides for FEMA disaster hardship withdrawals

Other withdrawals that a plan can provide for

- Age 59-1/2
- Employer contributions can also be withdrawn under certain circumstances

Withdrawals are taxable

- 20% withholding
- 10% excise tax if under age 59-1/2

Laid off employees are eligible to take their benefit payment under the terms of the plan

Partial plan termination – approximately 20% or more plan participants are terminated

- These participants become 100% vested in their current benefits
- If these employees are rehired their future benefits vest according to the plan's vesting schedule

Focus On:

Plan administration & investment expenses that the Plan can pay

Options for reducing employer contributions

Employee 401(k) Deferrals

The retirement plan can pay investment and annual administration expenses

- This reduces the earnings for the participants
- For a Defined Benefit or Cash Balance plan this increases the required contribution
- Forfeitures can also be used to pay plan expenses – doesn't reduce account balances

Plan cannot pay “settlor” expenses that benefit the employer

The plan can also require participants to pay expenses for

- Benefit payments (not allowed for Defined Benefit & Cash Balance Plans)
- Loans
- Qualified Domestic Relations Orders

Four different deadlines apply to Employer Contributions

1. **Tax Deduction** – due date of tax return (including extensions)
2. **Compliance** - 30 days after deduction deadline
 - Safe harbor contributions - 12 months after end of plan year end
3. **Pension Plan Minimum Funding Requirement** – 8-1/2 months after plan year end
4. **Not For Profit Organizations** – 9-1/2 months after plan year end

Relief for certain Employer Contributions

- IRS Notice 2020-18
 - Employers with an April 15 tax deadline are automatically extended to July 15
- CARES Act Defined Benefit Plan Relief
 - Minimum funding deadline for contributions due during 2020 are delayed until January 1, 2021
 - The goal is to “buy time” for anticipated future Pension Funding legislation



Matching Contributions

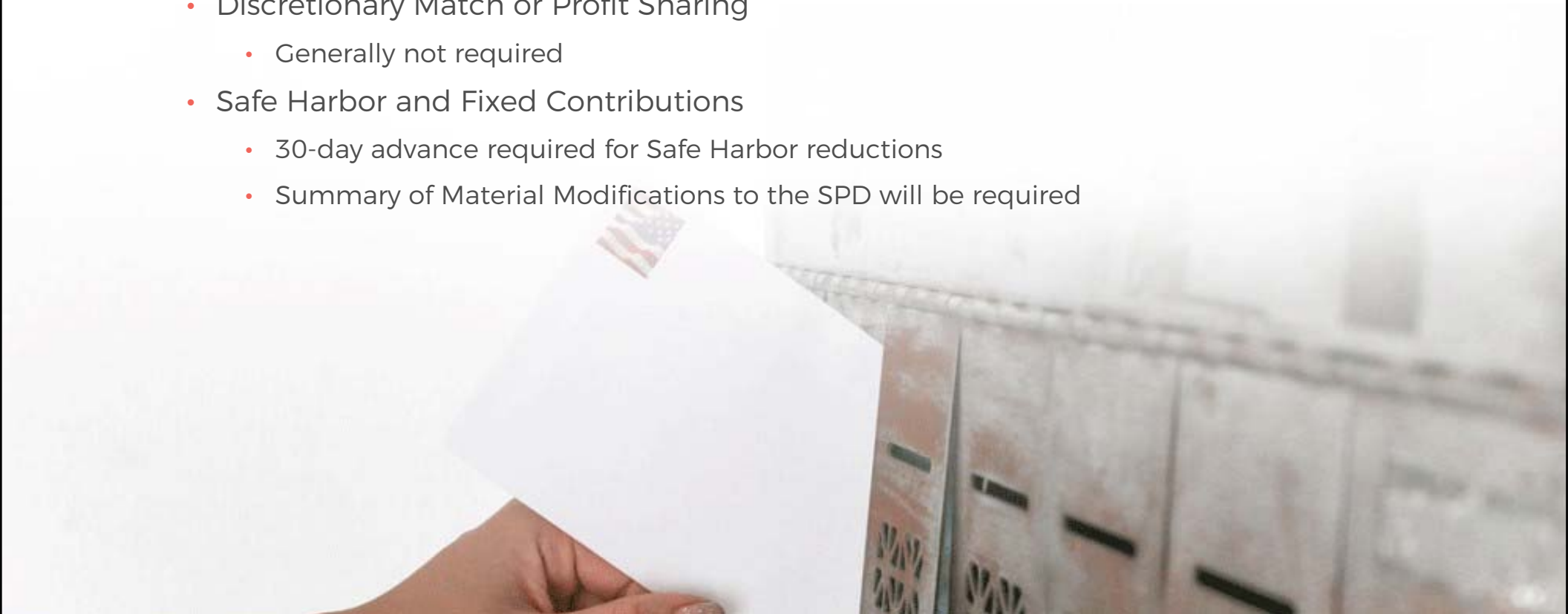
- Discretionary Matching Contributions
- Fixed Matching Contributions
 - May require a plan amendment to change
 - Matching contributions prior to the amendment may still be required
- Safe Harbor Matching Contributions
 - Can be removed by plan amendment if Safe Harbor notice reserved this right
 - Safe Harbor Matching contributions still required up to the date of the amendment.
 - Plan becomes subject to non-discrimination testing for 401(k) and matching contributions.

Non-Elective Contributions

- Safe Harbor 3% Contribution
 - Can be removed by plan amendment if Safe Harbor notice reserved this right
 - Contribution will be required up to the date of the amendment
 - Plan becomes subject to non-discrimination testing for 401(k) and matching contributions.
- Discretionary Profit Sharing Contribution
 - May be required if the plan is “top heavy” or combined for testing with another plan
- Fixed Profit Sharing Contribution or Money Purchase Contribution
 - Requires a plan amendment to remove
 - Contribution may still be required if employees have met the accrual requirements

Notices to Employees Regarding Reductions

- Discretionary Match or Profit Sharing
 - Generally not required
- Safe Harbor and Fixed Contributions
 - 30-day advance required for Safe Harbor reductions
 - Summary of Material Modifications to the SPD will be required



Defined Benefit and Cash Balance plans

- Funding range calculated by the actuary
 - Can fund the minimum required
 - Wait to catch up in future years
- Plan formula can be reduced or frozen for the current year
 - Notice must be distributed before an employee has accrued a benefit – 1000 hours of service often required for benefit accrual
 - 15 days for small plans
 - 45 days for large plans

401(k) and Loan Payment Deadlines

- 401(k), 403(b) and Loan Payments
 - Transmit to the plan “as soon as administratively possible”
 - 7 business day safe harbor for small plans
 - Large plans held to a higher standard
 - The fastest time frame becomes the deadline
- The Department of Labor watches this closely

Contribution Flexibility

- Employees can stop their contributions at any time
- The plan should have set rules for when an employee can change their contribution amount or can start again
 - Can range from “anytime” to specific dates during the year

Focus On:

Considerations for Plan Termination

Key Takeaways to Discuss with Key Stakeholders & Business Owners

What to do if the business is shutting down permanently

- The plan should be terminated
 - Notices distributed to employees in advance if safe harbor or pension plan
 - Plan sponsor adopts resolution to terminate and any required amendments
 - Employees are paid their benefits
 - Final Form 5500 is filed showing zero balance
 - Optional – IRS Submission
- Caution - 401(k) Plan Successor Rule
 - Plan sponsor must wait 12 months before they can start a new 401(k) plan
- Defined Benefit and Cash Balance plans subject to PBGC must submit their plan termination to the PBGC for approval
 - Requires a 60 day advance notice to employees

1. CARES Act provides for *withdrawals during 2020 up to \$100,000* with special tax treatment
2. CARES Act *increases loan limits to lesser of \$100,000 or 100% of vested accounts* until 9/23/2020
3. *Minimum required distributions are waived for 2020* from “defined contribution” plans and IRAs
4. Employees can *access their accounts whether terminated or still employed* depending upon plan provisions
5. Options to *reduce or eliminate* contributions should be evaluated immediately, depending on your plan document and plan calendar – contact us to evaluate your options

Every Plan is Different...

Aldrich Retirement Solutions is Here to Help



David Strom

PRESIDENT



David Bretthauer

SENIOR PENSION CONSULTANT

Contact Us!

Email: info@aldrichadvisors.com

Phone: 877.620.4489

The information provided herein does not, and is not intended to, constitute legal advice; instead, all information, content, and materials available are for general informational purposes only. Readers of this presentation should contact their attorney to obtain advice with respect to any particular legal matter. The information was updated as of April 13, 2020 and we recognize it may change. Please contact your Aldrich Advisor for the most up to date information for your situation.