

RETIREMENT PLAN CONSIDERATIONS RELATING TO COVID-19

As we all are work quickly in response to the Covid-19 environment, more and more businesses are converting to work-at-home arrangements and some employers consider layoffs due to the uncertainty of the world economy in the coming weeks and months. Now, more than ever, plan fiduciaries must continue to be diligent in their oversight and management of their retirement plans.

► SEVERAL ISSUES SHOULD REMAIN IN THE FOREFRONT:

Stay in Contact with Your Service Providers: As things in your business evolve, we recommend that you hold Plan Fiduciary Committee meetings on a regular basis, using the phone-in/online meeting tools to stay in contact with the plan's designated financial advisor and your CRI TPA representative.

Mass Layoffs and Vesting Issues: If your business lays off a large percentage of employees, even for a short-term basis, this may trigger what is known as a Partial Plan Termination. The affected employees will need to be fully vested in their entire account, so keep this in mind as you are making such decisions.

Employee Salary Deferrals: For employers with a 401(k)/403(b)/457/SIMPLE-IRA plan, it is important that you continue to remit salary deferral contributions to the plan as soon as possible after each pay date. You are not permitted to withhold salary deferral contributions from employees' wages without submitting those funds to the plan as soon as possible. Generally speaking you should remit employee deferrals within 3 to 7 business days. Keep paying the salary deferrals as soon as possible after each pay date.

Employer Contributions: You may see a short-term drop in revenue and the safe-harbor contributions or other fixed contributions may need to be suspended. If you deem such action necessary, please contact your CRI TPA plan administrator, as there are certain participant notices and amendments that will be required to properly suspend these contributions.

Pooled Accounts with Annual Valuation Dates: If your plan's investment structure is a pooled account with no participant directed investments, the fiduciaries and trustee should carefully consider performing interim valuations throughout 2020 (quarterly, for example) to accurately reflect the market value changes that have occurred, and are bound to continue changing, throughout this year.

Filing Deadlines: We have not received any notification that filing deadlines for retirement plans have been extended so we will continue to operate under the current filing due dates until further notice. This means, the annual Form 5500 is due 7 months after the year end or, if extended, the due date will be 9 ½ months after the plan year-end.

Hardship Distributions: If your plan includes a hardship distribution option, employers should continue to administer this provision according to the plan documents. As of now, there is no specific change to the hardship rules relating to COVID-19 conditions. However, a hardship distribution related to a COVID-19 related illness would be allowed under Section 213(d) for medical care, but must be limited to those type of expenses. Many local areas and lenders may not be enforcing any evictions for a certain period of time. There is currently no waiver of the taxes or penalties associated with hardship distributions for any reason.

Plan Loans: If your plan currently includes a loan provision, this could be used by employees for short-term needs. Carefully advise employees, who could potentially be laid off, that the loan will be taxable to them if they fail to make the required payments in a timely manner.

For those that want to request loans or hardship, it is important to make available the online tools necessary for them to access plan materials and forms necessary to request such withdrawals.

For CRI TPA Services clients, participants and employers can submit their loan and hardship distribution requests to CRI TPA Services using the following email address: distributions@critpa.com