

Coronavirus and Your Plan: What You Need to Know Now

As we collectively struggle through the challenges presented by the Coronavirus pandemic, one thing is certain: employers are faced with some tough choices that will impact the company and its employees well into the future. Here are a few brief comments and considerations on the decisions you may have to make for your 401(k) plan.

First, remember that your 401(k) plan's fiduciaries still have legal responsibility for operating the plan in accordance with ERISA, even in the midst of the current crisis; if you need further information, contact us. You should also reach out to your plan's legal counsel, because there are legal considerations involved, and individual facts and circumstances can make a difference in how you should approach these decisions.

Staff reductions

Sending employees home is hard. How you do it has a direct impact on them and on the plan, and it may depend on whether or not you expect to bring employees back when the crisis has passed. If you do let people go, consider furloughs. Employees on furlough are still employees under the 401(k) plan, and therefore are not entitled to immediate distribution of their plan accounts. If your plan allows hardship loans or withdrawals, employees cannot transfer the money into an IRA or another employer's plan. Terminated employees, on the other hand, can receive an immediate plan distribution, which they can keep (and be taxed upon) or transfer to another qualified plan.

However, if you terminate a large number of employees (generally 20% or more), it could trigger a partial plan termination — in which case terminated employees must become fully vested in their employer contribution accounts.

Company matches and contributions

The company's coffers are likely strained at this point, which could prompt you to ask whether to make scheduled employer contributions to the retirement plan. If the plan

requires company contributions, as is the case in a safe harbor 401(k) plan, a defined benefit plan, or another plan with minimum funding requirements, and you anticipate difficulty in affording the employer contribution, it's better to act sooner than later. Year-end is too late to avoid the obligation. But by acting right away you may be able to freeze or suspend contributions. Plans with discretionary employer contributions may be able to suspend them temporarily.

Employee communication

Getting required notices to employees is more challenging now with so many people working offsite (or not at all). Even so, the notice requirements have not been suspended as of this writing. Make sure to distribute all required plan notices on schedule, whether that's by mail or electronically.

While quick action may be necessary in our current circumstances, it's usually best to take a considered approach. If you're thinking about terminating the plan and distributing assets, you won't be allowed to reinstate the plan within 12 months if you later change your mind. That's another reason to take a breath, gather guidance and think things through before you act. Things may look very different in six months, and you will be glad that you proceeded in a thoughtful way. In the meantime, we are here to help. Please contact our Client Services Team if you have any questions at 888.872.2364. ■



Phone: 888.872.2364 | www.tra401k.com

 www.facebook.com/tratpa

 www.linkedin.com/company/the-retirement-advantage

TRA's COVID-19 Resource Page

[The Families First Coronavirus Response \(FFCRA\)](#) and the [Coronavirus Aid, Relief and Economic Security \(CARES\) Acts](#) were recently signed into law by the President. These Acts are designed to provide support to qualified employers and employees who are impacted as a result of COVID-19.

We've created a COVID-19 Resource Page offering you easy access to the most relevant relief measures available to managing your retirement plan during this unprecedented time, including:

- [COVID-19 FAQ's](#)
- [COVID-19 Business Resources](#)
- [Extended Deadlines](#)



Please note: Not all courses of action may be financially advantageous based on your long-term retirement plan goals. We recommend you consider all of your options before making a decision by speaking to your legal or tax advisor.

TRA's Client Services Team is also ready to serve you as an invaluable resource with respect to the impact of COVID-19 on your retirement plan. If you need guidance or support, please contact our office at 888-872-2364 to be connected to your dedicated CRM.

Stay healthy & safe! ■

Pension Plan Limitations for 2020

401(k) Maximum Elective Deferral (*\$26,000 for those age 50 or older, if plan permits)	\$19,500*
Defined Contribution Maximum Annual Addition	\$57,000
Highly Compensated Employee Threshold	\$130,000
Annual Compensation Limit	\$285,000

Plan Sponsors Ask...

Question:

As a plan sponsor, I want to offer the CARES Act withdrawal provisions to my participants. How do I do that?

Answer:

Plan sponsors may, but are not required to, offer COVID-19 related distributions and loan relief. Plan sponsors that wish to implement all or part of this relief should contact their dedicated Client Relationship Manager (CRM) for more details regarding the steps necessary to implement. Please note that every plan that offers these withdrawal options will be required to amend their plan document no later than the last day of the 2022 plan year (2024 for governmental plans). TRA will assist you with meeting these amendment requirements as well.

Question:

How do I handle outstanding participant loans while our business is temporarily closed or while employees are not working for longer periods?

Answer:

If possible, continue to withhold and submit loan payments for participant loans as you have historically. The CARES Act does allow qualified individuals with loan payments due between March 27, 2020 and December 31, 2020 to delay their repayments up to one year. If you have a qualified individual that is looking to defer their repayments, please discuss with your Client Relationship Manager (CRM) to ensure steps are taken to avoid the loan from being mistakenly defaulted during that time.

Question:

Can I stop my Safe Harbor Contributions?

Answer:

Yes, as a TRA client, if you amend the plan document to remove the Safe Harbor provision. Keep in mind, removing the Safe Harbor provision will subject the plan to non-discrimination testing, including ADP, ACP, and top-heavy testing. A 30-day notice is required and the Safe Harbor contribution must be made until the effective date of the amendment (TRA will provide you with the notice when the amendment is drafted). Please contact your TRA CRM to discuss your plan specifically, and to initiate the amendment.

The SECURE Act: Key Items for Plan Sponsors

The Setting Every Community Up for Retirement Enhancement Act of 2019, also known as the SECURE Act, contains what some call the most sweeping changes to the U.S. retirement system since the 2006 Pension Protection Act.

With its broad impact across qualified retirement plans, it is important for plan sponsors to become familiar with the Act's changes, and to take appropriate action. The Act's administrative changes will likely require plan amendments, and participant notification practices will also need to change.

With that in mind, we gleaned a few key components of the SECURE Act for your review. This is not an exhaustive list, and we encourage you to seek the opinions of your plan's counsel.

Required Minimum Distributions

If retired participants are allowed to maintain their accounts in the plan, the date on which Required Minimum Distributions (RMDs) must begin has changed. Before the SECURE Act, the RMD date occurred when the individual reached age 70½. Starting in 2020, the date has increased to age 72 for participants who were at least age 70½ by December 31, 2019. Improper application of RMD rules is a common trap for qualified plans; this change gives employers an excellent opportunity to review the plan's processes.

Withdrawal for Birth or Adoption

Beginning in 2020, participants may take a qualified birth or adoption distribution of \$5,000 or less without the 10% penalty tax that generally applies to early distributions. The withdrawal must occur within a year of the birth or adoption, and the participant may elect to re-contribute the amount withdrawn at a later time.

Increased Filing Penalties

Don't take a casual attitude toward filing the plan's Form 5500 on time; it's never been a good idea, and with changes to the late filing penalties, now isn't a good time to start. Penalties for late filing of this and some other compliance requirements increased significantly under the SECURE Act. Before, late 5500 forms were subject to fines of \$25 per day to a maximum of \$15,000. Now, for forms due after December 31, 2019, the fine has increased to \$250 per day and a maximum of \$150,000.

Lifetime Income Provisions

The retirement industry has long recognized the challenge of facing a lump sum payment at retirement, and the benefit a lifetime income option would provide. But plan sponsors have worried about the possibility of a fiduciary breach if they chose



an annuity provider that did not follow through on promises. The SECURE Act attempts to fill that gap by creating a safe harbor for employers. As long as the annuity provider they select has currently — and for the preceding seven years — been licensed by the state insurance commissioner to offer guaranteed retirement income contracts, filed audited financial statements in accordance with state laws, and maintained reserves that satisfy all the statutory requirements of all states where the provider does business, the safe harbor applies.

Read more about ways the SECURE Act impacts your plan's compliance at <https://tinyurl.com/SHRM-SecureAct>. ■

Web Resources for Plan Sponsors

Internal Revenue Service, Employee Plans
www.irs.gov/ep

Department of Labor,
Employee Benefits Security Administration
www.dol.gov/ebsa

401(k) Help Center
www.401khelpcenter.com

PLANSPONSOR Magazine
www.plansponsor.com

BenefitsLink
www.benefitslink.com

Plan Sponsor Council of America
www.psc.org

Employee Benefit Research Institute
www.ebri.org

Managing Remote Employees

The quickly evolving coronavirus pandemic has forced many businesses to shift gears to a work-from-home environment. However, many managers don't feel confident they have the skills to manage employees from a distance. And yet managers play a significant role, especially in terms of uncertainty, to help their team stay connected, collaborate, and work through change.

Managing remote employees shouldn't be something feared and avoided. In fact, most of the same principles of good management apply whether your employees are across the hall or across the country. One of the keys to successfully managing remote employees is to build mutually trusting relationships. This often happens casually over time when you see employees face-to-face on a daily basis—they get to know you and you get to know them.

Whether you are new at managing remote employees or the employee is new to working remotely, it is necessary to have a conversation to share both your and your employee's preferred style, method, content, and timing of communication.

The many options for remote group communication today are conducive to maintaining a sense of teamwork and collaboration between remote employees and between remote and traditional employees. Video conferencing, chat rooms, and collaborative project management tools are a few ways to allow remote employees the opportunity to stay involved by brainstorming new ideas, discussing pressing business issues, and contributing to the long-term success of the organization.

To avoid problems, it's critical to first mutually determine a well-defined and specific list of objectives that the remote employee needs to accomplish in a fixed timeframe. Then, when the result is presented it is important to take the time to provide concrete feedback and evaluation. Were all the objectives met in the appropriate timeframe? If they weren't, take the time to discuss how to avoid problems in the future and redefine expectations. If results were as expected or better, be sure to acknowledge success.

Remote working arrangements can be successfully managed through a little extra effort, a lot of communication, and mutual respect.

To read "How to Be Successful With Remote Teams" visit <https://www.mranet.org/article/mra-edge/leading-afar-how-be-successful-remote-teams>. ■

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PLAN SPONSOR'S QUARTERLY CALENDAR

JULY

- Conduct a review of second quarter payroll and plan deposit dates to ensure compliance with the U.S. Department of Labor's rules regarding timely deposit of participant contributions and loan repayments.
- Verify that employees who became eligible for the plan between April 1 and June 30 received and returned an enrollment form. Follow up for forms that were not returned.
- Ensure that the plan's Form 5500 is submitted by July 31, unless an extension of time to file applies (calendar-year plans).

AUGUST

- Begin preparing for the distribution of the plan's Summary Annual Report to participants and beneficiaries by September 30, unless a Form 5500 extension of time to file applies (calendar-year plans).
- Provide quarterly benefit/disclosure statement and statement of fees and expenses that were charged to individual accounts to participants (due 45 days after end of quarter).
- Submit employee census and payroll data to the plan's recordkeeper for midyear compliance testing (calendar-year plans).
- Confirm that participants who terminated employment between January 1 and June 30 elected a distribution option for their plan account balance and returned their election form. Contact those whose forms were not received.

SEPTEMBER

- Begin preparing the applicable safe harbor notices to employees, and plan for distribution of the notices between October 2 and December 2 (calendar-year plans).
- Distribute the plan's Summary Annual Report by September 30 to participants and beneficiaries, unless an extension of time to file Form 5500 applies (calendar-year plans).
- Send a reminder memo or e-mail to all employees to encourage them to review and update, if necessary, their beneficiary designations for all benefit plans. ■

Consult your plan's financial, legal, or tax advisor regarding these and other items that may apply to your plan.

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