

(Still) Staying the Course

Most plan sponsors have implemented some provisions of the CARES Act, with few participants using them.

By Nevin Adams and Hattie Greenan

Almost three months after the passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act, most plan sponsors have implemented at least one of the optional provisions designed to help relieve the economic impact felt by participants as a result of the ongoing COVID-19 pandemic.

While most organizations have now made a decision about implementing the optional provisions of the CARES Act, one in five (19.7 percent) are still taking a wait-and-see approach, and though they are not currently implementing them, they may in the future. Fewer than 10 percent have already determined they will not implement any CARES Act features.

Of the expanded loan and new distribution options, plan sponsors are more likely to offer, and participants more likely to take advantage of, the Coronavirus-Related Distributions (CRDs), which allow plan distributions until December 31, 2020 of the lesser of 100 percent of the vested account balance or \$100,000 for qualified individuals. Even when offered the choice of both, half of organizations state that participants opt for the CRD rather than a plan loan. See *Exhibit 1*.

Coronavirus-Related Distributions (CRDs)

Nearly two-thirds (63.5 percent) of respondent plans are allowing participants to take CRDs, up from fewer than half of the respondents to our

Exhibit 1: Distribution Type Used Most When Offered Both the Increased Loans and the Coronavirus-Related Increased Limits

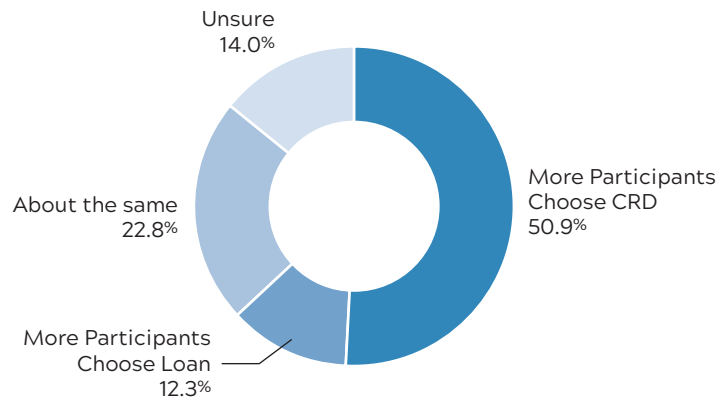
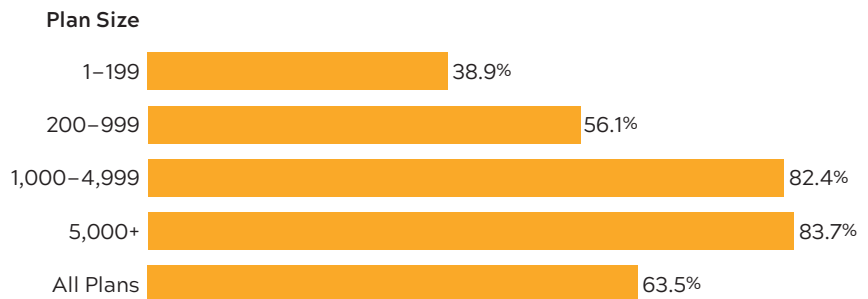


Exhibit 2: Percentage of Organizations Allowing Coronavirus-Related Distributions by Plan Size



initial COVID-19 response snapshot in early April. As it was then, this is still size-correlated, with nearly 85 percent of plans with 5,000 or more participants allowing them compared with fewer than 40 percent of plans with less than 200 participants. See *Exhibit 2*.

Among plans offering a CRD, a plurality (37.9 percent) say that an average of 1-5 percent of participants are availing themselves of that option, though nearly as many say that fewer than 1 percent of participants have done so, and 18.4 percent report that no participants have.

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Just more than half of plans (54.0 percent) will also enact the option to allow repayment of coronavirus-related distributions during the next three years. This is also size-correlated with more than three-fourths of large organizations allowing it, versus only 22.2 percent of smaller organizations.

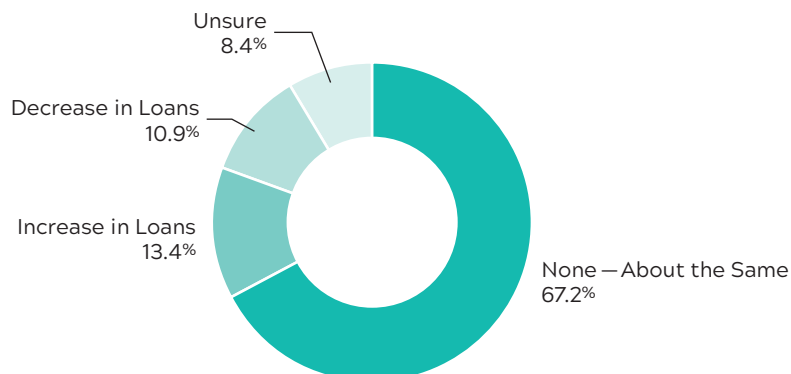
Plan Loans

As noted above, generally speaking, plan sponsors have been significantly more likely to adopt the CRD option than the expanded participant loan provisions. In fact, only about half as many plan sponsors have opted to embrace the expanded plan loan amounts (36.5 percent) than are allowing CRDs. The CARES Act allows plans to increase the plan loan limit to the lesser of \$100,000 or 100 percent of the vested account (versus previous limits of \$50,000 or 50 percent of the vested account). However, even among plans that have increased the loan limits, more than half report fewer than 1 percent of participants taking advantage of this option, and more than a quarter state that none have.

About half of plans are allowing participants to stop paying existing loans that are due through December 1, 2020 and defer payments for up to a year, as permitted under the CARES Act. However, only 20 percent of small plans are embracing these features versus more than 70 percent of large plans.

Nearly seventy percent of organizations stated that plan loan activity throughout the last few months is about the same as usual (whether or not they adopted CARES Act loan provisions), with only 13.4 percent noting an increase, and 10.9 percent actually noting a decrease. See Exhibit 3.

Exhibit 3: Changes in Plan Loan Activity Since the Onset of COVID-19



Employer Contributions

Nearly 90 percent of respondent organizations are making no changes to employer contributions at this time. Five percent of respondents have suspended matching contributions, and fewer than 1 percent have suspended non-matching (profit-sharing) contributions. Larger organizations are slightly more likely to have suspended the match — 11.6 percent of them have done so while no small organizations that responded to the survey have. Three percent of organizations are considering options but have not made a decision at this time.

Other Plan Changes

No responding organizations indicated that they are now considering terminating the plan as a result of the ongoing pandemic and economic conditions. In fact, few are considering any plan design changes at this time.

One change underway, and one that may well mitigate future outflows, is communicating the impact of plan loans and distributions on retirement savings to participants — a third are already

doing so and nearly 20 percent are creating communications at this time.

Conclusion

Though the full economic impact of the COVID-19 pandemic is still not yet known and funds from the Payroll Protection Program continue to flow, organizations and participants seem largely to be staying the course when it comes to retirement savings. PSCA will continue to monitor and share information regarding regulatory developments and plan sponsor responses to the COVID-19 pandemic and will keep you up to date as plan sponsors continue to respond constructively and proactively to these challenges.

We very much appreciate the time and attention of the respondents to this PSCA snapshot poll, particularly during this busy time.

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CARES Act Snapshot Survey – June Follow-Up

PSCA conducted a snapshot survey of plan sponsors in early June to determine what changes they have made since our April survey regarding the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the COVID-19 pandemic. The survey received responses from 137 organizations that sponsor a defined contribution plan for employees.

Demographics

Table 1 | Respondents by Number of Plan Participants

| Plan Size | Respondent Breakdown | |
|-------------|----------------------|---------------------|
| | Number of Plans | Percentage of Plans |
| 1–49 | 8 | 5.8% |
| 50–199 | 28 | 20.4% |
| 200–999 | 41 | 29.9% |
| 1,000–4,999 | 17 | 12.4% |
| 5,000+ | 43 | 31.4% |
| Total | 137 | 99.9% |

Table 2 | Respondents by Industry

| Industry | Respondent Breakdown | |
|----------------------------------|----------------------|---------------------|
| | Number of Plans | Percentage of Plans |
| Construction/Engineering | 13 | 9.5% |
| Durable goods manufacturing | 19 | 13.9% |
| Financial | 15 | 10.9% |
| Healthcare | 12 | 8.8% |
| Insurance/Real Estate | 10 | 7.3% |
| Non-durable goods manufacturing | 4 | 2.9% |
| Non-Profit Organization | 7 | 5.1% |
| Retail/Wholesale distribution | 17 | 12.4% |
| Services | 10 | 7.3% |
| Technology or Telecommunications | 4 | 2.9% |
| Transportation | 8 | 5.8% |
| Utility or Energy | 5 | 3.6% |
| Other | 13 | 9.5% |
| Total | 137 | 99.9% |

CARES Act Snapshot Survey – June Follow-Up

Table 3 | Types of Employer Contributions Provided as of January 1, 2020

| Contribution Type | Plan Size | | | | All Plans |
|---|-----------|---------|-------------|--------|-----------|
| | 1-199 | 200-999 | 1,000-4,999 | 5,000+ | |
| Matching Contribution – Guaranteed | 47.2% | 63.4% | 58.8% | 69.8% | 60.6% |
| Matching Contribution – Discretionary | 58.3% | 43.9% | 70.6% | 44.2% | 51.1% |
| Non-Matching Contribution – Guaranteed | 8.3% | 14.6% | 17.6% | 18.6% | 14.6% |
| Non-Matching Contribution – Discretionary | 30.6% | 22.0% | 41.2% | 20.9% | 26.3% |
| None | 5.6% | 2.4% | 5.9% | 4.7% | 4.4% |

Employer Responses to COVID-19

Table 4 | Organizations Adopting the Optional Provisions of the CARES Act by Plan Size

| Provision | Plan Size | | | | All Plans |
|---|-----------|---------|-------------|--------|-----------|
| | 1-199 | 200-999 | 1,000-4,999 | 5,000+ | |
| Increase plan loan limit to the greater of \$100,000 or 100% of the vested account. | 19.4% | 36.6% | 58.8% | 41.9% | 36.5% |
| Suspend loan payments due on or before December 31, 2020 and defer payments for up to one year. | 22.2% | 39.0% | 64.7% | 72.1% | 48.2% |
| Allow distributions until December 31, 2020 of the lesser of 100% of the vested account balance or \$100,000. | 38.9% | 56.1% | 82.4% | 83.7% | 63.5% |
| Allow repayment of coronavirus-related distributions during the next three years. | 22.2% | 51.2% | 70.6% | 76.7% | 54.0% |
| Unsure – still deciding. | 5.6% | 2.4% | 0.0% | 0.0% | 2.2% |
| None at this time, may add in the future. | 36.1% | 4.9% | 11.8% | 11.6% | 19.7% |
| None and won't add. | 16.7% | 14.6% | 0.0% | 0.0% | 8.8% |

CARES Act Snapshot Survey – June Follow-Up

Table 5 | Percentage of Participants Taking a Coronavirus-Related Distribution, When Permitted

| Percentage | Plan Size | | | | |
|---------------|-----------|---------|-------------|--------|-----------|
| | 1–199 | 200–999 | 1,000–4,999 | 5,000+ | All Plans |
| None | 42.9% | 39.1% | 7.1% | 0.0% | 18.4% |
| Less than 1% | 35.7% | 39.1% | 21.4% | 36.1% | 34.5% |
| 1–5% | 14.3% | 17.4% | 57.1% | 52.8% | 37.9% |
| 6–10% | 7.1% | 4.3% | 7.1% | 2.8% | 4.6% |
| 11–15% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| 16–20% | 0.0% | 0.0% | 7.1% | 0.0% | 1.1% |
| 21–25% | 0.0% | 0.0% | 0.0% | 2.8% | 1.1% |
| More than 25% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Unsure | 0.0% | 0.0% | 0.0% | 5.6% | 2.3% |
| Total | 100.0% | 99.9% | 99.8% | 100.1% | 99.9% |

Table 6 | Percentage of Participants Taking a Loan Under the Coronavirus-Related Increased Limits, When Permitted

| Percentage | All Plans |
|---------------|-----------|
| None | 26.0% |
| Less than 1% | 52.0% |
| 1–5% | 16.0% |
| 6–10% | 0.0% |
| 11–15% | 0.0% |
| 16–20% | 2.0% |
| 21–25% | 0.0% |
| More than 25% | 0.0% |
| Unsure | 4.0% |
| Total | 100.0% |

Table 7 | Distribution Type Used Most by Participants When Offered Both the Increased Loans and the Coronavirus-Related Distributions

| Distribution Type | All Plans |
|--------------------------------|-----------|
| More Participants Chose CRD | 50.9% |
| More Participants Chose Loan | 12.3% |
| CRD and Loan Rates About Equal | 22.8% |
| Unsure | 14.0% |
| Total | 100.0% |

CARES Act Snapshot Survey – June Follow-Up

Table 8 | Change in Plan Loan Activity Since the Onset of COVID-19 (regardless of increasing the limits or not)

| Change | Plan Size | | | | |
|-------------------|-----------|---------|-------------|--------|-----------|
| | 1–199 | 200–999 | 1,000–4,999 | 5,000+ | All Plans |
| No Change | 80.0% | 85.7% | 57.1% | 45.0% | 67.2% |
| Increase in Loans | 6.7% | 8.6% | 21.4% | 20.0% | 13.4% |
| Decrease in Loans | 10.0% | 2.9% | 7.1% | 20.0% | 10.9% |
| Unsure | 3.3% | 2.9% | 14.3% | 15.0% | 8.4% |
| Total | 100.0% | 100.1% | 99.9% | 100.0% | 99.9% |

Table 9 | Changes to Employer Contributions as a Result of the COVID-19 Pandemic

| Contribution Change | Plan Size | | | | |
|--|-----------|---------|-------------|--------|-----------|
| | 1–199 | 200–999 | 1,000–4,999 | 5,000+ | All Plans |
| None | 97.2% | 92.7% | 82.4% | 83.7% | 89.8% |
| Suspend Matching Contributions | 0.0% | 2.4% | 5.9% | 11.6% | 5.1% |
| Reduce Matching Contributions | 0.0% | 0.0% | 0.0% | 2.3% | 0.7% |
| Suspend Non-Matching Contributions | 0.0% | 2.4% | 0.0% | 0.0% | 0.7% |
| Reduce Non-Matching Contributions | 0.0% | 0.0% | 5.9% | 0.0% | 0.7% |
| Considering Suspending or Reducing Contributions | 2.8% | 2.4% | 5.9% | 2.3% | 2.9% |
| Total | 100.0% | 99.9% | 100.1% | 99.9% | 99.9% |

Table 10 | Organizations Making Plan Design Changes as a Result of COVID-19

| Change | Plan Size | | | | |
|------------------------|-----------|---------|-------------|--------|-----------|
| | 1–199 | 200–999 | 1,000–4,999 | 5,000+ | All Plans |
| Made Changes | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Considering Changes | 5.9% | 2.4% | 6.3% | 7.0% | 5.2% |
| Not Making Any Changes | 94.1% | 97.6% | 93.8% | 93.0% | 94.8% |
| Total | 100.0% | 100.0% | 100.1% | 100.0% | 100.0% |

Table 11 | Percentage of Organizations That Have Communicated the Impact of Loans and Distributions on Retirement Savings to Participants

| Communication Made to Participants | Plan Size | | | | |
|------------------------------------|-----------|---------|-------------|--------|-----------|
| | 1–199 | 200–999 | 1,000–4,999 | 5,000+ | All Plans |
| Have | 19.4% | 31.7% | 37.5% | 41.9% | 32.4% |
| Have Not Yet, but Working on It | 11.1% | 19.5% | 12.5% | 23.3% | 17.6% |
| Have Not | 69.4% | 48.8% | 50.0% | 34.9% | 50.0% |
| Total | 99.9% | 100.0% | 100.0% | 100.1% | 100.0% |