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PSCA
Plan Sponsor Council of America
Part of the American Retirement Association

How Are Plan Sponsors Responding to the COVID-19 Pandemic?

The Coronavirus Aid, Relief, and Economic Security Act (CARES) provides an expanded array of optional participant relief options, effective immediately.

By Nevin Adams and Hattie Greenan

Roughly a month into the nation's focus on the coronavirus (COVID-19) pandemic, and two weeks after the enactment of sweeping legislation to help ease the economic impact, a plurality of plan sponsors are still evaluating their options. The Coronavirus Aid, Relief, and Economic Security Act (CARES) was signed into law by President Trump on March 27, 2020, and since then, plan sponsors and practitioners alike have scrambled to understand and consider application of those changes while still awaiting guidance from federal agencies on implementation of CARES-authorized changes.

Considering the breadth and potential depth of those retirement plan options now on the table, it is perhaps not surprising that nearly half (44.1 percent) of the 152 plan sponsor respondents to a recent Plan Sponsor Council of America (PSCA) survey indicated they are still deciding which of the CARES Act provisions they will implement. Larger plans (plans with 5,000 or more participants) are more likely to have made a determination, with two-thirds already making a decision (66.0 percent), while fewer than half of smaller plans (plans with fewer than 200 participants) have (48.3 percent) made one.

Implementation of Optional CARES Provisions

Nearly half of respondents (45.4 percent) have already decided to allow distributions until December 31, 2020 of the lesser of 100 percent of the vested account balance or $100,000 for qualified individuals[1] under the CARES Act, though this is much more likely to be the case among larger organizations (68.1 percent) than smaller organizations (27.6 percent).

Roughly the same number of respondents (46.7 percent) have also embraced the option to allow repayment of coronavirus-related distributions during the next three years. This is also size-correlated with 68.1 percent of large organizations allowing it, versus only a third of smaller organizations at this point.

Somewhat fewer plan sponsors — roughly a third — are planning to increase the plan loan limit to the lesser of $100,000

Organizations Adopting the Optional Provisions of the CARES Act by Plan Size

	Plan Size				
Provision	1–199	200–999	1,000–4,999	5,000+	All Plans
Increase plan loan limit to the lesser of $100,000 or 100% of the vested account.	17.2%	25.6%	32.4%	46.8%	32.2%
Suspend loan payments due on or before December 31, 2020 and defer payments for up to one year.	20.7%	25.6%	43.2%	61.7%	40.1%
Allow distributions until December 31, 2020 of the lesser of 100% of the vested account balance or $100,000.	27.6%	30.8%	45.9%	68.1%	45.4%
Allow repayment of coronavirus-related distributions during the next three years.	34.5%	30.8%	45.9%	68.1%	46.7%
Unsure — still deciding.	51.7%	48.7%	45.9%	34.0%	44.1%
None	13.8%	17.9%	5.4%	2.1%	9.2%

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Changes Organizations Are Making to the Plan as a Result of the COVID-19 Pandemic

Change	Plan Size 1–199	200–999	1,000–4,999	5,000+	All Plans
None	92.9%	76.3%	73.0%	69.6%	76.5%
Suspend Matching Employer Contributions	3.6%	13.2%	21.6%	21.7%	16.1%
Reduce Matching Employer Contributions	0.0%	0.0%	0.0%	0.0%	0.0%
Suspend Non-Matching Employer Contributions	0.0%	10.5%	5.4%	2.2%	4.7%
Reduce Non-Matching Employer Contributions	0.0%	5.3%	2.7%	0.0%	2.0%
Terminating the Plan	3.6%	2.6%	0.0%	0.0%	1.3%
Other Plan Design Changes	3.6%	2.6%	5.4%	10.9%	6.0%

Note: Some respondents indicated that they are both reducing and suspending contributions, and the two respondents who indicated they were terminating the plan also indicated they were suspending contributions.

or 100 percent of the vested account (32.2 percent) and to suspend loan payments due on or before December 31, 2020 and defer payments for up to one year (40.1 percent). However, very few small organizations are embracing these features; only 17.2 percent are increasing the loan limits (versus nearly half of large organizations) and 20.7 percent suspending loan payment (versus more than 60 percent of large organizations).

About one-in-ten (9.2 percent) respondent plans aren't planning to adopt any of these new options, though that is only true at 2.1 percent of large organizations.

Of course, implementation of these changes will require coordination with the recordkeepers and service providers that administer those plans. More than half (57.6 percent) of survey respondents said their provider was waiting for the organization to direct which changes their plan(s) would adopt, while thirty percent said their provider would incorporate all retirement provisions of the CARES Act, unless the plan opted out.

Plan Changes

While the full impact of the COVID-19 pandemic is not yet known, most plan sponsor respondents — 76.5 percent — are not currently contemplating making changes to their current plan designs as a result, including more than 90 percent of small organizations. More than twenty percent of large organizations indicated they are suspending matching contributions, while only 3.6 percent of small plans have moved to do so.

Other plan changes being made in response to the COVID-19 pandemic include:

- Changes to loan provisions including repayment after termination
- Allowing loans during a leave of absence
- Increasing the number of loans allowed
- Changing timing of employer contributions from per-pay-period to annual and making a year-end true-up contribution.

Conclusion

As noted above, the CARES Act and its provisions are just two weeks old. Plan sponsors and their service providers are still dealing with an enormous array of complex and sensitive human resource policy, employment, compensation, and benefit issues. We very much appreciate the time and attention of the respondents to this PSCA snapshot poll, particularly during this busy time.

PSCA will, or course, continue to monitor and share information regarding regulatory developments and plan sponsor responses to the COVID-19 pandemic. We will keep you up-to-date as plan sponsors continue to respond constructively and proactively to these challenges.

As always, we very much value and appreciate the continued enthusiastic support of our members. We thank the plan sponsors who devoted time and resources to participate in this PSCA snapshot poll.

[1] A qualifying individual is defined as someone: 1) who is diagnosed with the virus (via test approved by CDC), 2) whose spouse or dependent is diagnosed with the virus, or 3) who experiences adverse financial consequences as a result of: quarantine, furlough, lay off, reduced hours, inability to work due to childcare, closing of business, or other factors as determined by the Secretary of the Treasury. The plan may rely on participant certification that those condition(s) are met.