March 30, 2020

Summary of Certain Employee Benefits Provisions in the COVID-19 CARES Act

On Friday, March 27, in response to the coronavirus (COVID-19) pandemic, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was passed by Congress and signed by President Donald Trump.

Defined Benefit Plan Funding and Benefit Distribution Restrictions Relief (Section 3608)

- Sponsors of single-employer defined benefit plans obligated to make minimum required contributions to their plans during 2020 may defer making such contributions until January 1, 2021. The minimum required contributions actually made to the plan will need to be increased for interest accruing between the original due date(s) of the required contribution(s) and the actual payment date, e.g., January 1, 2021, at the effective rate of interest for the plan year that includes the payment date.
- Sponsors of underfunded single-employer defined benefit plans may elect to use the adjusted funding target attainment percentage for the last plan year ending before January 1, 2020, to determine whether certain benefit payments, such as a lump sum, are permitted to be made from the plan in 2020.

Required Minimum Distribution Relief for 2020 (Section 2203)

- Required minimum distributions from defined contribution plans for calendar year 2020 are waived. Additionally, the requirement to complete post-death payouts within five years will be determined without regard to 2020.

Coronavirus-Related Distributions and Loans (Section 2202)

- Coronavirus-related distributions (CRDs) of up to $100,000 can be taken on a tax-favored basis between January 1, 2020, and December 31, 2020, based on the individual (CRD-eligible employees) or his/her spouse or dependents receiving a diagnosis of SARS-Cov-2 or COVID-19 or experiencing adverse financial consequences related to SARS-Cov-2 or COVID-19.
- CRD-eligible employees may take plan loans within 180 days of the CARES Act's enactment up to the lesser of $100,000 or the greater of $10,000 or 100% of the employee's current nonforfeitable benefit. Additionally, CRD-eligible employees may extend by one year (i) all repayments due in 2020 on their outstanding loans (including loans taken in 2020), provided the subsequent repayments are adjusted to include interest accrued during the delay, and (ii) the maximum permitted loan period.

Student Loan Repayment Relief (Section 2206)

- The definition of "educational assistance" under an educational assistance program is expanded to include employer payments made after the CARE Act's enactment through December 31, 2020, of principal or interest on a qualified education loan incurred by an employee.

DOL Authority to Postpone Certain Deadlines Extended (Section 3607)

- The authority of the secretary of Labor to postpone by a period of one year the date by which a particular action must be taken is expanded to include a public health emergency declared by the secretary of Health & Human Services under the Public Health Safety Act.

For more Day Pitney alerts and articles related to the impact of COVID-19, as well as information from other reliable sources, please visit our COVID-19 Resource Center.

COVID-19 DISCLAIMER: As you are aware, as a result of the COVID-19 pandemic, things are changing quickly and the effect, enforceability and interpretation of laws may be affected by future events. The material set forth in this document is not an unequivocal statement of law, but instead represents our best interpretation of where things stand as of the date of first publication. We have not attempted to address the potential impacts of all local, state and federal orders that may have been issued in response to the COVID-19 pandemic.

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