



# RECENT LEGISLATION AFFECTING THE RETIREMENT INDUSTRY

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# LEGISLATION WE WILL COVER

- rrc SECURE Act - Setting Every Community Up for Retirement Enhancement Act
  - Passed in December 20, 2019 and effective January 1, 2020
- rrc CARES Act – Coronavirus Aid, Relief, and Economic Security Act
  - Passed March 27, 2020
- rrc HEROES Act – Health and Economic Recovery Omnibus Emergency Solutions
  - Passed by House of Representatives ONLY – May 15, 2020

# SECURE ACT – DEFINED BENEFIT

- rrc Community Newspapers funding relief
  - Population of 100k or more in metropolitan area
  - Publishes in a single state *ONLY*
  - Ownership requirements
    - rrc Controlled by a single family
    - rrc Not publically traded or owned by a public traded company
    - rrc 501(c)(3) organization in the one state benefiting the community
  - Lowers minimum funding requirements
    - rrc No benefit increases after December 31, 2017
    - rrc Shortfall bases and installment payments eliminated
    - rrc New shortfall bases at 8% and 30 year amortization
    - rrc At-Risk rules no longer apply
    - rrc Funding Target and Normal Cost for new benefit accruals use a the US Treasury Yield Curve
    - rrc Election required and IRS approval needed to revoke the election in the future
- rrc Increased access to Multiple Employer Plans
  - No longer a requirement to share “a common characteristic”
    - rrc Trying to capture economies of scale
  - Minimum hours requirement relaxed to add part-time employees
    - rrc 1,000 hours in one year or 500 hours for three consecutive years

# SECURE ACT – DEFINED CONTRIBUTION

- More employers may offer annuities as investment options
  - Fiduciary responsibility moves from employer to the insurer
  - Guaranteed income for lifetime of retirement
    - Retirees are living longer
  - Complex investment options with hefty fees and possibly penalties or reduced investment growth
- Minimum distribution changes from age 70-1/2 to age 72
  - Applicable to those turning age 70-1/2 during 2020 not 2019
  - 70-1/2 based on life expectancy in 1960's
- Maximum age of 70-1/2 for IRA contributions removed
- Non-spousal beneficiaries have 10 years to withdraw all inherited funds
  - No minimum requirement in any given year during 10 year period
- Additional annual tax credit of \$500 for small employers starting a 401(k) plan or SIMPLE IRA
- Increases cap on earnings to automatically enroll employees in plans from 10% to 15%
- Penalty free withdrawals of \$5,000 for new born baby or adoption

# CARES ACT – DEFINED BENEFIT

- Single Employer - Allows all required contributions during calendar year 2020 to be payable by January 1, 2021
  - Interest at appropriate plan year interest rate must be applied
- Single Employer - AFTAP for last plan year ended prior to January 1, 2020 may be used as AFTAP for current plan year
  - Amendment increasing liabilities allowed
  - Lump sum distributions are allowed

# CARES Act – DEFINED CONTRIBUTION

- Waiver of penalties for not taking minimum distributions
  - Drop in stock market
- If Minimum Distribution not taken by April 20, 2020 for participants turning age 70-1/2 during 2019, Required Minimum Distribution age moved to age 72
- Loans between \$10k and \$100k may not be considered distributions as payments may be suspended
- Loan repayment suspension – One year delay on loan repayments
- Deferred compensation plans (409A)
  - Cancel nonqualified deferral elections if plan permits
  - hardship distribution for Coronavirus Related Distribution (“CRD”)
- CRD of maximum \$100k includes distribution sources ordinarily not permitted prior to age 59-1/2
  - Qualified matching contributions (including nonelective)

# CARES ACT – DEFINED CONTRIBUTION (CONTINUED)

- Coronavirus Related Distribution (“CRD”) - Removal of 10% early withdrawal penalty for people under age 59-1/2 during 2020
  - Participants, beneficiaries, required minimum distributions, and plan loan offset amounts can qualify
  - Excluded distributions
    - Corrective Distribution deferrals
    - Loans treated as distributions
    - Dividends on employer securities
    - Distributions from an eligible automatic contribution arrangement
  - Employee Certification unless employer knows otherwise
    - Had COVID-19
    - Spouse or dependent had COVID-19
    - Experienced adverse financial consequences
      - Quarantine
      - Laid-off or furloughed; reduced hours
      - Lack of child care
  - Taxed over three year period starting in 2020, but no taxes are paid if recontributed over the three year period
    - Exception for distribution to a beneficiary – participant cannot repay the distribution
    - Repayment only allowed if plan accepts rollovers

# HEROES ACT – DEFINED BENEFIT

- Single Employer
  - Shortfall Amortization goes from 7 years to 15 years starting with plan year beginning in 2020
  - Current Interest Rate stabilization of 10% goes to 5% effective 2020
    - Phase out in 2026 instead of 2021
    - Widen by 5% until it reaches 30% in 2030 and stay
    - 5% floor for 25-year interest rate averages prior to applying corridor
- Multi-Employer
  - Increased authority to the PBGC to partition troubled employers
    - Qualifying plan could stay solvent for 30 years with no benefit cuts
    - More money for PBGC
  - Double maximum guaranteed benefit – indexed to national average wage
    - 30 years of service goes from \$12,870 to \$24,300
  - Repeal benefit suspension provisions of the Multiemployer Pension Reform Act of 2014
  - Five additional years to work on Rehabilitation Plans
  - Funding shortfalls extended from 15 years to 30 years



# HEROES Act – DB & DC (CONTINUED)

- Pension funding relief for community newspapers under SECURE Act expanded to more community newspapers
- Early distributions under CARES Act includes money purchase plans
- New RMD rules for 2020 apply to 2019, and repayment of RMD's can be made by December 1, 2020
- Clarifies Employee certification rules for loans