January, 2021

Retirement Plan Relief in Consolidated Appropriations Act of 2021

On Sunday, December 27, 2020, President Trump signed into law the $2.3 trillion COVID-19 relief and government spending package, P.L. 116-260 the Consolidated Appropriations Act (the "Act"). This summary highlights the components of the Act involving retirement plans.

Partial Plan Termination
Defined contribution retirement plans are able to avoid a partial plan termination (within the meaning of 411(d)(3) of the Internal Revenue Code) if the active participant count on March 31, 2021 is at least 80% of the active participant count compared to that on March 13, 2020.

Money Purchase Pension Plans
Under the CARES Act, defined benefit pension plans and money purchase pension plans ("MPPPs") were not able to offer in-service coronavirus-related distributions ("CRDs"). The Act permits MPPPs to offer CRDs through December 30, 2020, retroactive to the effective date of the CARES Act. As a result, a MPPP that made in-service CRD prior to the enactment of the Act would now be considered a permissible distribution, subject to any plan rules.

Temporary Disaster Relief (other than due to COVID-19)
For any presidentially declared disaster (other than any area with respect to which such a major disaster has been so declared only by reason of COVID–19) beginning on January 1, 2020 and ending on February 25, 2021 (60 days after the enactment of the Act), impacted individuals may take a distribution from a traditional IRA, or a distribution or loan from a 401, 403(b) or governmental 457(b) retirement plan (if permitted by the plan), of up to an aggregate amount of $100,000 without an IRS premature distribution tax penalty. As was the case in the CARES Act, the Act provides that this $100,000 is an individual limit, but that all plans of an employer (including members of the controlled group) be aggregated for purposes of this disaster relief withdrawal. Similar to prior disaster relief, the distributions may be repaid over a three-year period. It is important to note that this disaster relief is not an extension of the CARES Act distribution and loan relief.

Pension Distributions
The Act permits in-service pension distributions at age 55 or older for certain employees in construction or building industries.

Extension of Student Loan Repayments Made by Employers
The Act extends the CARES Act provision allowing employers to pay tax-free student loan repayments for an employee, up to an annual cap of $5,250, until January 1, 2026.

Voya continues to monitor legislative and regulatory developments impacting retirement plans.