

Administering your retirement plan during COVID-19



ADP IS COMMITTED TO HELPING PLAN SPONSORS AND THEIR EMPLOYEES DURING THESE DIFFICULT TIMES. We understand that you are navigating uncharted waters and may have questions about administering your retirement plan. We are here to help.

Retirement plan employer contributions

Workers depend on their employer for benefits like retirement plans that can help them build financial security. But some employers may determine their business is no longer able to fund employee retirement plan matching or other contributions due to business disruption and losses caused by the COVID-19 pandemic. These decisions are not easily made, and employers must follow IRS requirements to suspend or reduce contributions properly, including notifying participants. Please consult your personal tax, financial and other advisors for assistance in making decisions about your plan.

Missed contributions

There are consequences for failing to make a Safe Harbor contribution or a promised matching contribution. In addition to jeopardizing the plan's tax qualification, the plan sponsor could also be found to have engaged in a prohibited transaction or a fiduciary breach.

Discretionary nonelective and matching contributions

Generally, reducing or eliminating 401(k) discretionary nonelective and discretionary matching contributions is a straightforward process that requires the notification of plan participants according to IRS guidelines. This type of change does not require a plan amendment.

Safe Harbor discretionary nonelective and matching contributions

Safe Harbor 401(k) plans require an annual nonelective matching contribution to employee accounts by the employer to forgo annual retirement plan nondiscrimination testing requirements. For a Safe Harbor plan to qualify to make a mid-year reduction or suspension of employee contributions, one of the following conditions must apply:

- the employer is operating at an economic loss, or
- the Safe Harbor notice provided before the start of the plan year included a statement that the employer may reduce or suspend contributions mid-year.

In addition, eligible employees must be notified at least 30 days prior to the effective date of the change, and they must be allowed a reasonable period of time to change their deferral election prior to making the change effective. The plan will also be required to complete ADP/ACP testing for the full plan year in which the reduction or suspension occurs.

Non-Safe Harbor mandatory matching contributions

To reduce or suspend the matching contributions that are described in the plan document, such as a match of a percentage (or tiered percentage) of an employee's elective contributions, would require a plan amendment. Participant notification requirements apply, and the employer would be required to make the matching contributions for the portion of the plan year prior to the amendment effective date.



Let's Connect

ADP is here to support you in managing your retirement plan responsibilities and help you navigate the challenges that you and your workforce face. Talk to us and discover how easy it can be to stay compliant and be more productive with ADP.

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