



PLAN SPONSOR ACADEMY

2021 PLAN SPONSOR CONSIDERATIONS

The events of 2020 created many new considerations for plan sponsors as individuals were faced with uncertainty and sought safety both financially and personally. The CARES Act was passed to assist individuals and businesses impacted by the pandemic, and investors witnessed a volatile investment market causing many to adjust their investment strategy. Plan sponsors should consider how regulatory changes and investor behavior impacted their retirement plans.

Below are 3 important retirement plan considerations for plan sponsors to review in the first quarter of 2021:

Non-Discrimination Testing (NDT) Impacts



As employee populations were impacted by the pandemic, it is important to understand how any changes in plan participation will affect your Non-Discrimination Testing. Employment uncertainty and market volatility caused many participants to lower or stop their 401(k) contributions. In addition, there were reductions in force, including layoffs and furloughs, which need to be reviewed for potential partial termination issues and whether they can be addressed by the 3/31/21 safe harbor recently enacted. Later in 2021, plan sponsors who do not offer safe harbor plans and experienced changes in their employee populations should request a mid-year non-discrimination test.

CARES Act Loans



The CARES Act was passed at the end of March 2020 and allowed for participants to defer paying their scheduled 401(k) loan payments for up to one year. Participants must resume their normally scheduled loan payments in January 2021. Most recordkeepers are automatically re-amortizing participant loans. Plan Sponsors should confirm how their recordkeeper is treating deferred loans and should understand what action needs to be taken, if any, in their payroll system. Failure to understand the loan procedure could lead to participants missing required loan payments.

Investment/Market Education



Many retirement plan investors took notice when the market became volatile from the pandemic and sought “safer” investments. The most common question received during the period was “where should I invest my money?” The second most common question was “who do I talk to for advice?” Plan Sponsors should leverage recordkeeper/advisor resources to provide investment education to employees. While investment education should be available on a regular basis, the market volatility experienced in 2020 may have caused some investors to move to allocations that are not appropriate for their long-term goals. Education can be as simple as providing a risk tolerance questionnaire to help participants understand their own investment preferences or offering 1-on-1 meetings with an investment professional.

Innovative Investment Fiduciaries is an independent advisor that focuses solely on retirement plan consultation. If you would like to review your plan with Innovative, including 2020 plan impacts, please contact us at (856)-242-3343 or email resources@iifria.com.