

## Nearly 40 percent of retirement plan sponsors do not plan to implement CARES Act provisions

Thirty-eight percent of retirement plan sponsors do not plan to implement provisions allowed by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, according to recent research from LIMRA's Secure Retirement Institute (SRI). The study noted that some of the CARES Act provisions have the potential to deeply impact defined contribution (DC) retirement programs by expanding how workers can tap into their retirement savings when affected by the virus.

For example, the CARES Act doubles the amount that can be taken as a loan from retirement plans, from \$50,000 to \$100,000. It also creates a new category of plan withdrawal, without the 10 percent penalty associated with traditional hardship withdrawals. A CARES withdrawal also allows the individual to pay taxes over a three-year period rather than in a single tax year.

**Study results.** SRI found eight in 10 DC plan sponsors are familiar with the CARES Act and its retirement provisions. Private sector businesses are more likely than not-for-profit organizations to be familiar with the CARES Act (81 percent vs. 61 percent).

While they may be familiar with the Act, sponsors may be less versed in the potential impacts for their plans and on participants' longer-term savings. According to the study, 51 percent of plan sponsors feel, at least to some extent, that they would benefit from guidance from their DC plan's recordkeeper in understanding how CARES may affect their plan.

"Sponsors in the smallest and largest plans are less likely to look to recordkeepers for this help, although possibly for quite different reasons," said Deb Dupont, associate managing director, SRI Institutional Retirement Research. She noted that large plan sponsors likely have robust on-staff plan and legal resources of their own. Sponsors of the smallest plans may simply not appreciate the potential implications for their retirement plans and employees.

Whether or not to adopt the withdrawal and/or loan provisions of the CARES Act is at the discretion of each plan sponsor. As noted above, 38 percent do not plan to implement the expanded withdrawal capability or the increased loan capability. Another one fifth (19 percent) are unsure at this point, leaving 43 percent who do plan to amend their plans to offer at least one withdrawal update enabled by the CARES Act.

**SOURCE:** [www.limra.com](http://www.limra.com)