

In times of significant business disruption, plan sponsors may want to reevaluate their plan's matching contribution. The information below answers frequently asked questions and provides other impacts to take into account before making a change.



Timeline and Requirements for Suspending Matching Contributions

- Plan sponsors can stop their discretionary matching contribution on a go-forward basis at any time, as these are not required contributions.
- In certain cases, an amendment to the plan document may be needed.
- Generally, participant communications are not required in cases where a plan amendment is not needed. However, it is always best practice to notify participants of a matching contribution suspension, as well as provide an opportunity for them to make changes to their current deferral elections (may require a plan amendment).



Frequently Asked Questions (FAQs)

My plan currently has the matching contribution formula stated in the plan document and I calculate and deposit the match each payroll period. Am I able to reduce or stop the match for the remainder of 2020?

Yes, you can prospectively reduce, temporarily suspend, or eliminate your matching contribution with a plan amendment from the effective date of the amendment forward. Matching contributions must be made on deferral contributions up to the effective date of the amendment using the pre-amendment matching contribution formula. Matching contributions do not accrue until elective deferrals are made.

In cases where an amendment is required because the match is stated in the plan document:

- A plan sponsor can reduce either their matching percent or the amount of deferrals eligible to be matched, or both. For example, if an employer has a stated formula of a 50% match on deferrals up to the first 6% of compensation, they could reduce it to a 25% match on deferrals up to the first 3% of compensation, following a plan amendment.
- If a plan sponsor would like to temporarily suspend the match, the allocation formula should be amended to discretionary within the plan document, and any true up feature removed.
- If a plan sponsor would like to eliminate the matching contribution, the plan should be amended to either remove the match feature from the plan or to change the match allocation formula to discretionary within the plan document. Any true up feature should be removed.

Plan sponsors will also need to provide a required communication to employees (Summary of Material Modification), and should also consider other communications to help inform employees about the change.

My plan currently has the matching contribution formula stated in the plan document, but I do not calculate or deposit the match until the end of the plan year. Am I able to not make the matching contribution at all for 2020?

- Generally, plans that do not calculate or deposit their matching contributions until year end often have allocation requirements to receive the match, such as working 1000 hours and/or a last day rule. In this case, the plan can still be amended to a discretionary match (adopted timely) and plan sponsors would have the option to not make the matching contribution at all for the 2020 plan year.
- If your plan document does not have any allocation requirements or participants have already met the allocation requirements to receive the match, the plan document can still be amended. However, the plan sponsor may still have to make the matching contribution on compensation earned from January 1 through the amendment effective date.

My plan currently has a discretionary matching contribution, which is not stated in the plan document. I deposit the match each payroll period, but need to stop for the remainder of 2020.

- Generally, in this case, there is no required amendment or participant communication, as a plan sponsors can stop their discretionary match at any time.
- It is best practice to sign a resolution which states the matching contribution is being suspended and notify participants of the suspension, as well as provide an opportunity for them to make changes to their current deferral elections (may require a plan amendment).
- You should check your plan document to make sure there is no true up provision. If a true up provision exists, the true up should be amended out of your plan document, and a Summary of Material Modification provided to participants.

If an employee is laid off and takes a distribution of their account balance, can I use the non-vested portion of their matching contribution (forfeitures) to help pay plan expenses?

- If you lay off 20% or more of your eligible plan participants during 2020, a partial plan termination may have occurred. When this happens, anybody laid off during 2020 will become 100% vested in all their money sources, including plan sponsor contributions that were not fully vested.
- There is no current IRS guidance that provides a relief for partial plan terminations and subsequent immediate vesting during 2020. It is more prudent for a plan sponsor to wait to use those forfeitures until later in the year, when further guidance may become available.



We're here for you.

Reach out to your Goldleaf Partners Client Relationship Manager for support and expert guidance throughout this difficult time. We're ready to help you answer client questions and make informed decisions, connecting you with ERISA experts and providing any other expert advice you may need.