



Virus aid bill offers help for retirement plans, student loans

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The massive year-end appropriations and coronavirus relief package ([Pub. L. No. 116-260](#)) enacted on Dec. 27, 2020, contains several provisions to help retirement plans and participants through the pandemic. The measure includes a five-year extension of earlier relief that allows employers to repay a portion of employees' student loan debt on a tax-free basis. The law also includes a technical correction to the Coronavirus Aid, Relief and Economic Security (CARES) Act ([Pub. L. No. 116-136](#)) for money purchase pension plans that made coronavirus-related distributions (an earlier version of this article said the bill omitted this correction). The law does not include any provisions for additional pension funding relief, but that issue could be addressed this year by the 117th Congress and the Biden administration.

Partial plan termination relief

Plans won't have a partial plan termination for any plan year that includes the period beginning March 13, 2020, and ending March 31, 2021, if the number of active participants at the end of that period is at least 80% of the number at the start of the period. Under IRS rules, a partial termination is presumed to occur when a plan has a 20% or greater reduction in the number of active participants over the applicable period (generally the plan year). A partial termination requires full vesting of all affected participants' benefits, to the extent funded. The relief will allow employers that have had a significant reduction in their number of employees during the pandemic to restore their workforce and avoid the cost of a partial termination.

Disaster relief

The measure gives access to retirement plan savings for participants affected by major disasters (other than the COVID-19 pandemic) declared during 2020 and up to 60 days after the bill's enactment. The relief, which is similar to what Congress has provided for past disasters and the pandemic, includes:

- In-service distributions up to \$100,000 from defined contribution plans and money purchase pension plans, regardless of an employee's age
- The ability to repay unused hardship distributions taken to buy or build a home in a major disaster area
- A temporary increase in the plan loan cap to \$100,000
- A one-year delay of plan loan repayments due within a certain period after a disaster

Employers that offer the relief must amend their plans by the end of the first plan year starting in 2022, although the bill authorizes the Treasury Department to extend the deadline. Governmental employers will have an additional two years to amend their plans.

Student loan reimbursements

Internal Revenue Code [Section 127](#) allows employees to exclude from their gross income up to \$5,250 in educational assistance from their employer. Educational assistance generally includes reimbursements for expenses like tuition, books, fees, supplies and equipment. The CARES Act added cash reimbursements of student loans to the list, but only for payments made before Jan. 1, 2021. The new bill will extend this tax-free treatment of student loan reimbursements for five more years.

In-service distributions for construction workers

The bill lowers the minimum age for in-service distributions to 55 for participants in certain long-standing multiemployer plans covering employees in the building and construction industry. This targeted relief doesn't apply to other retirement plans, for which the lowest permissible in-service distribution age remains 59-1/2.

CARES Act technical correction for money purchase pension plans

The new law includes a technical correction to the CARES Act, clarifying that money purchase pension plans — like other defined contribution plans — could make coronavirus-related distributions to employees of any age until Dec. 30, 2020. Absent this provision, some sponsors would have needed to correct distributions made before IRS issued [Notice 2020-50](#), which said money purchase plans couldn't make the distributions unless an otherwise distributable event had occurred.

Related resources

Non-Mercer resources

- [Pub. L. No: 116-260](#), the Consolidated Appropriations Act, 2021 (Congress, Dec. 27, 2020)
- [Pub. L. No. 116-136](#), the CARES Act (Congress, March 27, 2020)
- [Notice 2020-50](#) (IRS, June 19, 2020)

Mercer Law & Policy resources

- [IRS bends on CARES Act funding deadline; PBGC follows suit](#) (Nov. 18, 2020)
- [Delving into CARES Act relief for retirement plan participants](#) (June 22, 2020)
- [Stimulus bill gives 2020 DB funding relief, access to DC savings](#) (March 26, 2020)

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