

# PENTEGRA Your AdvantEDGE

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## How We're Supporting Our Clients, Partners Employees and Communities

**99%** of our employees are working from home, continuing to deliver the **high-touch, quality service** you've come to expect, with **0 interruptions**.

**95,000 meals** have been donated by Pentegra employees to support **Feed America** relief efforts.

Processed over **1,100** COVID-related distributions and loans for participants nationwide.

**Waived** over **\$115,000** in COVID-related distribution and loan fees.

**Delivered** more than **20 webinars** on the impact of the **SECURE Act** and **CARES Act** to over **10,000** partners and plan sponsors.

Provided **continuous support** to participants and answered more than **47,000 participant calls**.

Processed more than **7,000 deferral changes** and over **6,800 investment transfers**.



## **CARES Act Updates and Clarification**

Recently, the Internal Revenue Service (IRS) issued three Notices designed to provide additional guidance on key provisions in the Coronavirus Aid, Relief and Economic Security (CARES) Act.

### **Notice 2020-50 - Qualified Individuals and Coronavirus-Related Distributions and Loans**

There are two notable changes related to Coronavirus-Related Distributions (CRDs) and Coronavirus-Related Loans (CRLs). The first is an expansion of what a “qualified individual” is. Previously limited to an individual diagnosed with COVID-19, or who experienced adverse financial consequences as a result of the virus, Notice 2020-50 expands the definition to include a spouse, dependent or other member of the individual’s household who meets these conditions. The second major change involves self-certification – and allowing the individual to self-certify.

### **Notice 2020-51 - Required Minimum Distributions (RMDs)**

Previously, individuals who took RMDs prior to CARES becoming law on March 27 could not roll the RMD back into a retirement account. Under 2020-51, individuals who did take an RMD may roll those funds back into a retirement account by no later than Aug. 31, 2020.

### **Notice 2020-52 - Mid-Year Amendments to Safe Harbor Plans**

The Notice provides flexibility in amending Safe Harbor plans by allowing amendments to be adopted between March 13 and August 31, 2020. The updated safe harbor notice must be distributed to participants at least 30 days prior its effective date. For safe harbor non-elective contributions, the notice again must be provided by Aug. 31, 2020, rather than 30 days before the effective date of the suspension/reduction.

Pentegra recently hosted a webinar that included additional details on these changes. [Click here](#) to view the webinar.



## **A Brave New Digital World**

by Rich Rausser, QPA, QKA, CPC

The very idea of “going digital” has become so commonplace that most people probably don’t even think about it anymore. While there will always be a few of the technology-resistant (or, in some cases, simply “tech-challenged”) among us, the use of such communications tools as websites, email and smartphone texting is rarely even worthy of comment.

That is, unless you are the U.S. Department of Labor (DOL) and the Employee Benefits Security Administration (EBSA), which last month had plenty of comments on those delivery systems – specifically, by issuing their final rule establishing “a new, additional safe harbor for employee benefit plan administrators to use electronic media, as a default, to furnish information to participants and beneficiaries of plans subject to the Employee Retirement Income Security Act of 1974 (ERISA).”

And yes, that translates as email, text messages, and websites.

Acting as a fiduciary for most of the clients we do business with in the ERISA 3(16) marketplace, we have had a keen interest in this topic for the past few years – and we are big proponents of the new rule, which goes into effect on July 27, 2020. As a measure that simplifies matters for plan participants, it is way overdue.

Essentially the rule allows plan administrators to send plan disclosures to participants primarily electronically – thereby saving an estimated \$3.2 billion in printing, mailing and related plan costs over the next decade.

The rule will also make disclosures more readily accessible and useful for participants, they say, while preserving the rights of those who prefer paper disclosures.

“This rule is an outstanding example of how commonsense deregulatory efforts can save billions of dollars,” U.S. Secretary of Labor Eugene Scalia said in a statement. “The rule will rely on widely available technology to keep workers and retirees informed about their plans, while still preserving the option to receive retirement information by mail.

“As we look ahead to reinvigorating the American economy,” he added, “the Department of Labor’s priorities include eliminating unnecessary burdens for employers that sponsor retirement plans and on addressing the needs of wage earners, job seekers and retirees.”

Now, instead of essentially dropping a lot of paper on participants -- which you can never be sure have been understood or even read -- these types of communications are expected to be more effective and efficient.

There are two main ways of doing this electronically: Posting a notice on an easily accessible website, or sending a message directly to each participant via smartphone or email; the latter can be accomplished either in the body of the email or as an attachment.

Where before a participant was required to opt in to an electronic system, they will now be automatically signed up for electronic disclosures. However, should they want to opt out and receive any or all such documents in the regular mail, they have the right to do so. They can even opt out on a piece-by-piece basis, or take a “now and forever” approach.

The new rule also includes additional protections, such as accessibility and readability standards for online disclosures and system checks for invalid email addresses and

smartphone numbers. One of the challenges for employers and plan sponsors will be to keep up with what participants are doing when it comes to changing their phone numbers or email addresses, or when they leave their employer.

Inevitably, there will also be cases where a participant does not have a smartphone but a landline, which cannot receive text messages. Such data must be kept current.

Another potential benefit of this new(ish) electronic approach is, according to EBSA, that it can help employers and sponsors overcome the disruptions in service they may have incurred due to COVID-19. Many such parties have reportedly said they have faced unusual challenges in delivering ERISA disclosures in paper form, due to reduced staff, temporary business closures, and the like.

A challenge to keep in mind is the necessity to maintain a website that contains the plan document and can include any or all new plan-related developments in one place for participants' review. Even if the document is superseded in less than a year, however, you should keep the original online for at least one year.

Nevertheless, this is the dawning of a brave new world for the retirement industry – something that should prove to be a real game-changer.



### **Communicating Through Volatility**

In recent weeks, we've experienced some of the most impressive swings ever in the U.S. stock market. Naturally, this kind of rollercoaster ride causes participants concern. It's more important than ever during times of volatility to remind them of the reasons to participate in their 401(k) plan, as well as the factors that went into their plan investment decisions.

Here are two key reminders to share with participants that could help them alleviate their fears. Doing so may be a critical factor in their long-term financial well-being.

#### **Reminder: Stay In**

If at all possible, participants should probably continue investing in the plan. It's likely that some have already stopped participating or even taken hardship withdrawals. It's also likely that some wake up every morning wondering if they should take their money and run. Reminding those participants that in most cases the plan is the best means to save for the long-term could be helpful. As you provide information about any changes to the plan's rules about accessing their money, be sure to include messaging about the benefits of staying in the plan. One great benefit, even in the depths of a bear market, is the ability to invest at what may be deep discounts. By continuing regular periodic investments, participants potentially have the opportunity to purchase funds at what may turn out to be "bargain" prices.

### **Reminder: Stay Invested**

Any time your investment value drops, it is tempting to move everything into cash. It's true that no one really knows what the markets will do tomorrow. That's why focusing on strategy rather than current balances may save participants from big mistakes. Young participants should be congratulated for starting on the journey, and reminded that they have time to recover from market declines. Older participants — at least those who paid attention to lessons from the past — have hopefully moved away from riskier investments, thus insulating themselves somewhat against market swings. All should be reminded that continuing regular investments in the plan, if possible, is a wise course.

### **Make Your Message Easily Understood**

The basics of good communication are particularly important when times are challenging. Communicate clearly, using words that are simple and easily understood. Use real-life, personal examples when you can. Include graphics that emphasize and clarify the point you're making. Highlight the main points with color, font size, symbols, or other creative means. Sum up with key action points or takeaways.

Communicating with plan participants becomes all the more important when things go off-track. Take a measured, thoughtful approach, remembering that participants need to hear the truth as well as empathy from their employer.



### **#SmartTips for #Retirement**

At Pentegra, we know it's important to give you and your participants the tools you need to learn more about saving and investing for retirement.

Our #SmartTips for #Retirement are designed to make it even easier! Follow us on [Facebook](#) to get the latest tips on achieving a more successful retirement.



## Missed a PENTalk™?

Catch up on all of our latest PENTalks and Webinars here

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