

IRS EXTENDS CONTRIBUTION DEADLINE FOR SINGLE-EMPLOYER DEFINED BENEFIT RETIREMENT PLANS

Hodgson Russ Employee Benefits Newsletter
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The IRS has issued Notice 2020-82 extending the deadline for contributions to single-employer defined benefit retirement plans as provided under Section 3608(a) (1) of the CARES Act.

This guidance will affect sponsors of single-employer defined benefit plans who must satisfy the Code Section 412(a) minimum funding standards. In general, Code Section 430(j)(1) requires minimum required contributions to be made within 8 ½ months of the end of the plan year. Plans that experienced a funding shortfall during the prior plan year are subject to the quarterly installment requirements of Code Section 430(j)(3).

In both situations, the CARES Act extended the deadline for single-employer defined benefit pension contributions until January 1, 2021. In doing so, Congress intended to allow plan sponsors to defer making contributions due to the adverse financial impact of the pandemic. Due to the New Years' holiday and the potential inability of financial institutions to transfer funds by the deadline, Notice 2020-82 provides that a contribution to a single-employer defined benefit plan will be timely if made no later than January 4, 2021, the next business day.

Notice 2020-82 also extends to January 4, 2021 the deadline for a plan sponsor's election to add to a prefunding balance or to use a prefunding account balance to offset the minimum required contribution for the 2020 plan year. The guidance further provides that if a contribution is made by January 4, 2021, the amount of the minimum required contribution that is satisfied by the contribution (and the amount that can be added to the plan's prefunding balance related to any excess contribution) is determined by computing the applicable interest adjustment using the actual contribution date.

The guidance does not impact existing Notice 2020-61, which addresses the treatment of tardy contributions not made by the deadline. The Pension Benefit Guaranty Corporation has issued guidance to conform to Notice 2020-82.

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