

EB Flash: Guidance Issued on Single-Employer Defined Benefit Plans Under CARES Act

Employee Benefits Alert
08.06.2020

The Internal Revenue Service (IRS) today issued [Notice 2020-61](#), which includes 18 Q&As that provide guidance on the special funding-related rules for single-employer defined benefit pension plans, including related benefit restrictions under [section 3608 of the Coronavirus Aid, Relief, and Economic Security Act \(CARES\) Act](#).

Section 3608 of the CARES Act delays minimum required contributions (including quarterly contributions) that would otherwise be due this year until January 1, 2021, though interest must be added to any delayed contributions. The provision also allows plan sponsors to elect to treat the plan's adjusted funding target attainment percentage (AFTAP) for the plan year ending in 2019 as the AFTAP for the 2020 plan year, for purposes of applying the funding-based benefit restrictions under [Internal Revenue Code section 436](#).

To the extent the instructions for [Schedule SB](#), "Single-Employer Defined Benefit Plan Actuarial Information" of Form 5500 are inconsistent with today's guidance, Notice 2020-61 supersedes those instructions.

The following questions are posed and answered in Notice 2020-61:

- Q-1: To which plans does the extended contribution due date of January 1, 2021, under § 3608(a)(1) of the CARES Act, apply?
- Q-2: How is a contribution adjusted for interest between the valuation date and the payment date for the contribution, taking into account the interest adjustment rules of § 3608(a)(2) of the CARES Act?
- Q-3: What is the result if the contribution that the plan sponsor makes is less than the amount that was due on the original due date for the minimum required contribution, as increased with interest pursuant to § 3608(a)(2) of the CARES Act?
- Q-4: Does the extended due date under § 3608(a) of the CARES Act apply to contributions in excess of the amount needed to satisfy the minimum required contribution?
- Q-5: How is the amount of a quarterly installment determined, if the extended due date under § 3608(a) of the CARES Act applies to the installment?
- Q-6: For a quarterly installment originally due during 2020 for which the due date is extended under § 3608(a) of the CARES Act to January 1, 2021, what is the result if a plan sponsor does not satisfy that installment?
- Q-7: How are the interest adjustments determined if the plan's effective interest rate for the plan year in which the contribution is made has not been determined at the time the payment is made?
- Q-8: If a plan sponsor makes a contribution for a plan year after the original due date for the plan year, but on or before the extended due date under § 3608(a) of the CARES Act, how is it reported on Schedule SB of Form 5500?
- Q-9: Is a contribution for a plan year that is made after the original due date for the plan year (but on or before the extended due date for the plan year under § 3608(a) of the CARES Act) taken into account for purposes of determining the value of plan assets for a plan year following the plan year for which the contribution is made?
- Q-10: Does the extended due date under § 3608(a) of the CARES Act change the date by which a plan sponsor may make an election to increase a prefunding balance or to use a prefunding balance or a funding standard carryover balance to offset the

minimum funding requirement for a plan year?

- Q-11: Does the extended due date under § 3608(a) of the CARES Act change the date by which a contribution must be made in order to be deducted for a taxable year under § 404 of the Code?
- Q-12: May a plan sponsor make an election under § 3608(b) of the CARES Act (to apply the AFTAP the last plan year ending before January 1, 2020) for a plan with a plan year that is not a calendar year?
- Q-13: What procedures must a plan sponsor follow for making an election under § 3608(b) of the CARES Act?
- Q-14: If a plan's actuary has not certified the plan's AFTAP for a plan year before the plan sponsor makes an election under § 3608(b) of the CARES Act, what is the effect of the election for purposes of the presumption rules of § 436(h) of the Code?
- Q-15: Is a plan's actuary required to certify the plan's AFTAP for a plan year for which the plan sponsor makes the election under § 3608(b) of the CARES Act?
- Q-16: If a plan's actuary certified the plan's AFTAP for a plan year for which the plan sponsor later makes the election under § 3608(b) of the CARES Act, what is the effect of that certification?
- Q-17: How does the restriction on plan amendments and unpredictable contingent event benefits apply if the AFTAP that applies is pursuant to a plan sponsor's election under § 3608(b) of the CARES Act?
- Q-18: Does the AFTAP that applies pursuant to a plan sponsor's election for a plan year apply for purposes of the presumptions under § 436(h) used in a subsequent plan year?

The 18-page text of Notice 2020-61 is [posted here](#).

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