



## Employee Benefits & Executive Compensation ADVISORY ■

**NOVEMBER 12, 2019**

### Qualified Retirement Plan Considerations and 2019 Year-End Action Items

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This advisory reminds plan sponsors of deadlines for amending qualified retirement plans and highlights other action items for plan sponsors to consider in the near future.

#### **2019 Year-End Action Items**

Most plans will not have any legally required amendments that must be adopted in 2019, though as indicated below, some hardship changes may need to be implemented operationally on or before January 1, 2020. Additionally, the following are some action items for plan sponsors to consider as the end of the year approaches:

##### *Discretionary amendments*

Plan sponsors who have added operationally optional features to a retirement plan during 2019 (e.g., a plan loan feature) must ensure that the associated “discretionary” amendments are signed no later than December 31, 2019 (for calendar-year plans). If you have made any discretionary amendments, you should take some time to make sure they have been formally adopted by the end of the year.

##### *Changes to hardship withdrawals*

The Tax Cuts and Jobs Act and the Bipartisan Budget Act of 2018 changed some of the rules applicable to hardship distributions, and the IRS recently issued final guidance and timelines for implementation of these changes. These include required changes, such as the removal of the automatic six-month delay following a hardship and the addition of a participant certification requirement, as well as optional changes such as expanding the sources available for hardship withdrawals and eliminating the requirement that participants seek plan loans before requesting a hardship withdrawal. A more complete summary of the changes can be found in our advisory on the subject, “[Final Hardship Distribution Rules Are Here: Does Your 401\(k\) or 403\(b\) Plan Comply?](#)”

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Implementing these changes may require a plan amendment. In general, the following deadlines apply to amend calendar-year plans for required changes:

- Individually designed 401(k) plans generally must be amended to adopt required features by December 31, 2021, if the final regulations are included in the 2019 Required Amendments List.
- Preapproved 401(k) plans must amend by the 2020 tax-filing deadline, inclusive of any extensions.
- 403(b) plans must amend by March 31, 2020, unless this is extended through supplemental guidance.

Plans do not need to wait for these deadlines to be amended. Sponsors of plans that may have adopted some of these changes operationally effective January 1, 2019, and already communicated these changes to participants may wish to consult their legal advisors and recordkeepers to discuss whether amending the plan sooner than these deadlines is appropriate.

#### *Less-common amendments*

While most plans do not have any required amendments this year, the following are some less-common situations that may affect certain plans:

- **Prior-year disaster relief** – Congress previously provided some relief for victims of Hurricanes Harvey, Irma, and Maria and the 2017 California wildfires. This relief included relief from the 10% early withdrawal penalty and 20% withholding, the ability to defer taxes, the ability to repay certain hardship distributions, and increased plan loan limits. Adoption of this relief was optional, but plans that did allow this relief need to be amended no later than December 31, 2019, to reflect the relief offered.
- **Partial annuity distributions** – Plan sponsors of plans that offer partial annuity distribution forms of payment (for example, allowing participants to receive part of their benefit in a lump sum and part as an annuity) may wish to verify that they are in compliance with the IRS final regulations from 2016. Not all plans offer this feature and not every plan requires an amendment. However, if an amendment is required, the deadline is December 31, 2019.

## **Other Action Items**

### *Adjustment to the determination letter program*

The IRS announced that it is expanding its determination letter program in limited circumstances. You may consider applying for a determination letter if one of the following applies to your plan:

- **Certain plan mergers** – In connection with corporate mergers, acquisitions, or similar transactions, plan sponsors occasionally merge an acquired plan into an existing plan. With some restrictions, the IRS has begun allowing merged plans to file for a determination letter. To be eligible, the plan merger must be completed no later than the end of the plan year after the plan year that includes the date of the corporate transaction, and the determination letter application must be submitted by the

last day of the first plan year beginning after the effective date of the merger. Note that, for eligible mergers of calendar-year plans that occurred in 2017 or 2018, the deadline to file may be as early as December 31, 2019.

- **Certain hybrid plans** – Plans (such as cash-balance plans) that use a statutory hybrid formula have a limited window to apply for a new determination letter. The application must be filed between September 1, 2019, and August 31, 2020.

These new grounds for requesting a determination letter offer plan sponsors an opportunity that wasn't previously available to obtain a determination letter on all amendments to the plan since the last determination letter.

#### *Other items to consider*

As you review your plan document, consider whether adding any of the following is appropriate:

- Internal limitations period for filing claims
- Forum selection clause
- Mandatory arbitration provision

We recommend all plan sponsors consider these features, but please be aware that these features are not legally required and may not be appropriate for every plan or every plan sponsor.

## **Conclusion**

Although there are not many significant amendments required for qualified plans in 2019, the end of the year provides an opportunity for plan sponsors to review their qualified retirement plans and consider these action items. Please do not hesitate to contact your Alston & Bird attorney to discuss any of the plan amendments or other action items.

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If you have any questions or would like additional information, please contact your Alston & Bird attorney or any of the following:

## Members of Alston & Bird's Employee Benefits & Executive Compensation Group

Saul Ben-Meyer  
212.210.9545  
saul.ben-meyer@alston.com

H. Douglas Hinson  
404.881.7590  
doug.hinson@alston.com

Earl Pomeroy  
202.239.3835  
earl.pomeroy@alston.com

Michael L. Stevens  
404.881.7970  
mike.stevens@alston.com

Emily Seymour Costin  
202.239.3695  
emily.costin@alston.com

Emily C. Hootkins  
404.881.4601  
emily.hootkins@alston.com

Earl Porter  
404.881.7135  
earl.porter@alston.com

Daniel G. Taylor  
404.881.7567  
dan.taylor@alston.com

Dominic DeMatties  
202.239.3011  
dominic.dematties@alston.com

James S. Hutchinson  
212.210.9552  
jamie.hutchinson@alston.com

Jonathan G. Rose  
202.239.3693  
jonathan.rose@alston.com

Kerry T. Wenzel  
404.881.4983  
kerry.wenzel@alston.com

Meredith Gage  
404.881.7953  
meredith.gage@alston.com

Edward T. Kang  
202.239.3728  
edward.kang@alston.com

Syed Fahad Saghir  
202.239.3220  
fahad.saghir@alston.com

Kyle R. Woods  
404.881.7525  
kyle.woods@alston.com

Ashley Gillihan  
404.881.7390  
ashley.gillihan@alston.com

Jahnisa Tate Loadholt  
202.239.3670  
jahnisa.loadholt@alston.com

Thomas G. Schendt  
202.239.3330  
thomas.schendt@alston.com

David R. Godofsky  
202.239.3392  
david.godofsky@alston.com

Blake Calvin MacKay  
404.881.4982  
blake.mackay@alston.com

John B. Shannon  
404.881.7466  
john.shannon@alston.com

John R. Hickman  
404.881.7885  
john.hickman@alston.com

David Mohl  
202.239.3389  
david.mohl@alston.com

Carolyn E. Smith  
202.239.3566  
carolyn.smith@alston.com



# ALSTON & BIRD

WWW.ALSTON.COM

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ATLANTA: One Atlantic Center ■ 1201 West Peachtree Street ■ Atlanta, Georgia, USA, 30309-3424 ■ 404.881.7000 ■ Fax: 404.881.7777  
 BEIJING: Hanwei Plaza West Wing ■ Suite 21B2 ■ No. 7 Guanghua Road ■ Chaoyang District ■ Beijing, 100004 CN ■ +86 10 8592 7500  
 BRUSSELS: Level 20 Bastion Tower ■ Place du Champ de Mars ■ B-1050 Brussels, BE ■ +32 2 550 3700 ■ Fax: +32 2 550 3719  
 CHARLOTTE: Bank of America Plaza ■ 101 South Tryon Street ■ Suite 4000 ■ Charlotte, North Carolina, USA, 28280-4000 ■ 704.444.1000 ■ Fax: 704.444.1111  
 DALLAS: Chase Tower ■ 2200 Ross Avenue ■ Suite 2300 ■ Dallas, Texas, USA, 75201 ■ 214.922.3400 ■ Fax: 214.922.3899  
 LONDON: 5th Floor, Octagon Point, St. Paul's ■ 5 Cheapside ■ London, EC2V 6AA, UK ■ +44.0.20.3823.2225  
 LOS ANGELES: 333 South Hope Street ■ 16th Floor ■ Los Angeles, California, USA, 90071-3004 ■ 213.576.1000 ■ Fax: 213.576.1100  
 NEW YORK: 90 Park Avenue ■ 15th Floor ■ New York, New York, USA, 10016-1387 ■ 212.210.9400 ■ Fax: 212.210.9444  
 RALEIGH: 555 Fayetteville Street ■ Suite 600 ■ Raleigh, North Carolina, USA, 27601-3034 ■ 919.862.2200 ■ Fax: 919.862.2260  
 SAN FRANCISCO: 560 Mission Street ■ Suite 2100 ■ San Francisco, California, USA, 94105-0912 ■ 415.243.1000 ■ Fax: 415.243.1001  
 SILICON VALLEY: 950 Page Mill Road ■ Palo Alto, California, USA 94304-1012 ■ 650.838.2000 ■ Fax: 650.838.2001  
 WASHINGTON, DC: The Atlantic Building ■ 950 F Street, NW ■ Washington, DC, USA, 20004-1404 ■ 202.239.3300 ■ Fax: 202.239.3333