Bolton
Insight
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COVID 19 Impact on Single Employer Pension Plans

The spread of COVID-19 has affected workers' health, business operations and financial markets. Single employer pension plans will have to manage work force availability, business interruption, and investment uncertainty after significant market value decreases. The impact on individual plans will depend on plan funded status, maturity of the plan, whether your industry is deemed essential in areas with "stay at home" restrictions, and the actuarial valuation date.

What can be done now?

Keep in mind the long-term nature of the pension plan. Most plans survived through significant market downturns in the past. In times of crisis we all feel that we need to take action to fix the problem, but sometimes the best action is to be patient. We recommend you consider the following items to manage your pension program during this crisis:

- **Avoid emotional or fear-based investment decisions.** Talk with your investment advisor to determine how your asset allocation should be aligned with the downturn in the market.
- **If possible, keep your cash flow positive** (i.e., make contributions at least equal to your benefit payments) so that you do not have to liquidate assets in a down market. If you do not have the cash available to keep your cash flow positive, work with your investment advisor to determine which assets should be used to pay benefits.
- **Work with your actuary** to understand your flexibility for making contributions.

Plans with March 31 or April 30 plan year ends will be the first to include the market losses in their valuation results. A calendar year plan has more time to recover if the COVID-19 economic impact is short term. Relief in the form of longer amortization periods, higher interest rates, and adjusting the actuarial value of assets have been available in the past and may again become tools to defer recognizing asset losses.

Legislative relief - CARES

On March 25th the U.S. Senate passed the Coronavirus Aid, Relief, and Economic Security (CARES) Act. CARES provides DB funding relief for plan sponsors by extending the deadline for contributions due in 2020 to January 1, 2021. Contributions made past their scheduled due dates will accrue with interest, but there will not be any late penalties. CARES also changes the benefit restriction measurement to have the AFTAP funded status for the last plan year apply to the entire year of 2020. Finally, CARES grants the Department of Labor (DOL) expanded authority to postpone certain deadlines under ERISA. We speculate that the deadline for the Annual Funding Notice and the IRS 5500 filings may get extended under this authority. The House is expected to pass the Act in the next few days and the President is expected to sign it.

We expect more legislation to come later this year as legislators have a better understanding of the COVID- 19's longer term effect on the economy.

Bolton is here to help

Your Bolton consultants are available to help you manage your retirement program during these uncertain times. We are engaged with various actuarial organizations and industry groups to help frame for Congress the needs of our clients for future legislative relief. In the meantime we can help you understand the impact on your pension programs and how future funding, accounting, and administrative requirements may be impacted.

If you would like more information on how to manage your retirement program in these unprecedented times please contact your Bolton Consultant or Jim Ritchie at 443-573-3924.