



# Insights

## COVID-19 and Partial Plan Terminations

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In this ever-changing economy due to COVID-19, we are receiving many questions regarding layoffs, furloughs and terminations of employment and how they impact the company's qualified retirement plan.

### **What is a partial plan termination?**

- In general, if 20 percent or more of your employees terminate due to a downturn in business, a "partial plan termination" is likely to have occurred.
- There are nuanced rules regarding how you determine who is counted as a terminated employee.
- The result of a partial plan termination is that the terminated participants become 100% vested in their plan accounts. Participants who have not terminated who are on leave of absence or furlough are not included.

### **What are the consequences of not recognizing a partial plan termination?**

If a partial termination occurs and the affected participants do not become 100% vested, terminated participants may be paid less than they are due. If this occurs, your plan has a qualification issue which would need to be addressed.

Please contact us if you have any questions about partial plan termination and if they apply to your situation.