

“Post-PPA” Cycle 3 Restatements for Defined Contribution Plans

Retirement plan documents are legal documents that outline a plan’s provisions and the regulatory requirements for the plan. Most qualified plans use what is known as a “preapproved” plan document. This is one the IRS has reviewed and approved for use. Alternatively, a plan can use an attorney-drafted document (known as an individually designed plan document).

What is a restatement?

Preapproved plan documents are required to be rewritten, approved by the IRS, and adopted by plan sponsors every six years. This process is known as a restatement and it allows the document language to be updated for legislative changes and amendments that occurred since the last document was written. The IRS has separate cycles for defined contribution plans, defined benefit plans, and 403(b) plans. The defined benefit restatement window was just closed on July 31, 2020, with the restatement window for defined contribution plans beginning on its heels. This window opened on August 1, 2020. This restatement is being referred to as the “Cycle 3 restatement” or the “post-PPA restatement.”

What types of retirement plans are included?

The defined contribution plan restatement includes all preapproved plan documents for profit sharing, 401(k), and money purchase plans. In addition, some ESOP and church 401(k) plans may be able to use a preapproved plan for the first time with this restatement. Plans that currently use an individually designed plan may also choose to adopt a pre-approved plan during this cycle.

In the past, the IRS had two preapproved document programs available: prototype and volume submitter. Those programs have gone away with this restatement cycle. In their place is one IRS preapproved plan program that incorporates the options of both programs.

When will this restatement take place?

Document providers are working now to prepare their newly approved documents for adoption by employers. Once they are ready for use, service providers can begin the process of restating plan documents to a preapproved post-PPA document for their clients. The deadline for plans to be restated under Cycle 3 is July 31, 2022. As a result, most plans will likely be restated, or at least begin the process, sometime in 2021.