

## Student Loan Obligations Foster New 401(k) Innovation

In our recent client and committee meetings we discussed the current impact that student loan repayments have on young workers, often resulting in their inability to save for retirement. We shared the unique approach recently initiated by Abbott Laboratories. The pharmaceutical company secured a Private Letter Ruling (PLR) from the IRS, allowing them to make an employer contribution to their 401(k) plan on behalf of employees who are making student loan payments.

Many of our clients expressed interest in further evaluating the various strategies and resources available to employees saddled with student loan payments. We expected that the Abbott Laboratories PLR might trigger legislative activity but we did not anticipate the swift response detailed in the attached articles, as released by the American Benefits Council on December 19, 2018. The American Benefits Council gave us permission to share the following information with our clients.

Senator Ron Wyden (D-OR) introduced [legislation](#) to permit employers to make matching contributions with respect to student loan repayments by employees. Under current law, matching contributions made with respect to student loan repayments are treated as non-elective contributions, which can pose nondiscrimination testing challenges for some plans.

The [Retirement Parity for Student Loans Act of 2018](#) allows sponsors of 401(k) and 403(b) plans, including those with safe harbor plans, to make matching contributions on qualified student loan repayments. Employees must submit to the employer evidence of the student loan and the student loan repayment. The bill assigns regulatory authority over what type of evidence is needed to the Treasury Department.

The bill also clarifies that matching contributions with respect to student loan repayments can be contributed at a different frequency than matching contributions are otherwise made under the plan.

The same provision to allow matching contributions for student loans is included in the [Retirement Security & Savings Act](#), bipartisan retirement policy reform legislation sponsored by U.S. Senators Rob Portman (R-OH) and Ben Cardin.

A [one-page summary](#) of the Retirement Parity for Student Loans Act is also available.

Please contact us if you wish to discuss this in further detail or if you would like additional information regarding Newport Group and our services.

### Disclaimer

*Reprinted with permission from "Senate Bill to Permit Employer Matching Contributions for Student Loans." Benefits Byte, 19 Dec. 2018. American Benefits Council.*

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