Dear Subscriber:

This communication is with regard to the Corbel Cycle 3 DC plan product ONLY.

Subsequent to the Corbel Cycle 3 document release, some clients have noted the fact that different constructs exist in the match and nonelective allocation sections for those participants that are not employed on the last day of the plan year. To avoid any ongoing confusion and to correct a potential plan qualification issue, we have worked with the IRS to align the allocation provisions for match and nonelective contributions in Questions 29 and 31 of the document.

**Summary of the issue**

With respect to allocation conditions for those not employed on the last day of the plan year, the match allocation in Question 29 currently uses a “more than” a number of hours construction while the nonelective in Question 31 uses an “at least” construction.  A potential issue with Question 29 is that if 1,000 hours is inserted under the “more than” construction, the requirement will be that the participant work more than 1,000 hours (i.e., 1001 hours) to receive the match for the year, which is a 410(a) violation.

**Adjustment to the document on a go-forward basis**

FIS has aligned the allocation provisions within the document on a go-forward basis for documents created after December 17, 2020.

**For plans that have already adopted match or nonelective allocation conditions**

FIS has developed an amendment at the document provider level for impacted plans to clarify that:

* In no event shall a Participant be required to be credited with more than 1,000 hours of service to be credited with an allocation of any employer contribution.
* If the plan conditions the allocation of any employer contribution to a Participant who is not employed on the last day of the Plan Year on completing at least 499, and not more than 502, Hours of Service, then the condition will be satisfied if and only if such Participant is credited with more than 500 hours of service.

**Elapsed time plan design considerations**

Treas. Reg. 1.410(b)-6(f) allows for the exclusion from the coverage test of participants for who work fewer than 501 hours of service during the plan year and terminate during the plan year. If the plan uses elapsed time, terminated employees are excludable from the coverage test if they are credited with fewer than 3 consecutive calendar months during the plan year. If you have entered more than a 3 month allocation condition for a plan for those that have terminated employment, you may wish to consider rebuilding the document to comply with this 3 month safe harbor period.

We apologize for any inconvenience this change may cause and thank you for being a FIS customer.