



DOL Finalizes the 7-Business-Day Safe Harbor for Depositing Participant Contributions and Loan Repayments

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Federal law requires that participant contributions to a 401(k) plan be promptly deposited into a qualified trust that is established to hold qualified plan assets. The U.S. Department of Labor has finalized the 7-business-day safe harbor rule for determining when participant contributions must be contributed to the trust. Usually participant contributions to a qualified plan become plan assets as soon as they can be segregated from the employer's general assets; however, for plans subject to ERISA's trust requirement, the final plan asset rule determines when those contributions must be deposited into the trust. The final safe harbor rule provides that employers are considered to have made a timely deposit if participant contributions are deposited into the trust within 7 business days after they (1) are received (if contributions are paid to the employer), or (2) would have been paid in cash (if contributions are withheld from wages). The safe harbor rule applies to plans with less than 100 participants at the beginning of the plan year and is effective immediately.

The final rule also extends the general deposit timing rule and safe harbor rule to plan loan repayments. The final rule clarifies that loan repayments are subject to the maximum deposit timing period for qualified deferred compensation plans and also affirms that the 7-business-day rule is simply a safe harbor. It is not the exclusive means for determining if the general deposit rule has been met.

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