Notice Regarding CARES Act Retirement Plan Provisions

On March 27, 2020 the Coronavirus Aid, Relief, and Economic Security Act of 2020 (the CARES Act) was signed into law. The CARES Act provides special retirement plan provisions that are available to "Qualified Participants" (as defined below). This notice is intended to describe the new CARES Act provisions. If you have any questions, please contact your Plan Administrator.

Who is a Qualified Participant?
In order to be eligible for the special retirement plan provisions described in this notice, you must be a Qualified Participant. You are a Qualified Participant if you meet any of the following requirements:

1. You, your spouse, or your dependent (as defined by the IRS) have been diagnosed with the virus SARS-CoV-2 or with the disease COVID-19 by a test approved by the Center for Disease Control (CDC); or
2. You have experienced adverse financial consequences as a result of one or more of the following events due to SARS-CoV-2 or COVID-19:
    a. you were quarantined;
    b. you were furloughed;
    c. you were laid-off;
    d. you experienced a reduction in work hours;
    e. you were unable to work due to lack of childcare; or
    f. a business you own or operate either closed or was forced to operate under reduced hours.

This list may be updated by the Secretary of the Treasury.

What is a COVID-19 withdrawal?
A COVID-19 withdrawal is a distribution that meets all the following requirements:

1. you are a Qualified Participant;
2. the distribution is taken between January 1, 2020 and December 31, 2020; and
3. the total distribution is not more than $100,000 (or your vested account balance).

Is the COVID-19 withdrawal subject to tax?
Yes, the amount you take out as a COVID-19 withdrawal will be considered taxable income. However, the distribution will not be subject to mandatory withholding at the time it is made and the 10% withdrawal penalty tax that usually applies to early distributions will be waived. Additionally, the tax on COVID-19 withdrawals can be paid over a period of up to 3 years by making an election on your 2020 tax return.

Can the money I take out as a COVID-19 withdrawal be put back into a plan?
Yes, you will also have a window of 3 years to pay back this distribution to either a retirement plan or an IRA.

Are the Required Minimum Distribution (RMD) rules changed for 2020?
Yes, RMDs due in 2020 are not required for 401(k), 403(b), and governmental 457(b) plans. This includes 2019 RMDs for which the required beginning date falls in 2020. Note that if an RMD was already processed in 2020, then you are permitted to roll it back into the plan or into an IRA. This provision does not appear to apply to defined benefit and cash balance plans.

*Delete the following if the plan does not offer participant loans

What are the expanded loan provisions?
For loans taken from the plan between March 27, 2020 and September 23, 2020 by Qualified Participants, the applicable limits on plan loans described in the plan's Summary Plan Description (SPD) are increased. The $50,000 limit that generally applies has been increased to $100,000 and the 50% of vested account balance limit is increased to 100%. Refer to your SPD to see how these limits are applied when calculating the maximum available plan loan.

Have the repayment terms changed?
Yes, payments to outstanding loans for the remainder of 2020 may be delayed for up to one year for Qualifying Participants. Interest continues to accrue during the period and the plan can extend the term of the loan for up to one year. Additionally, the time to repay the loan may be extended by one year.