

As of March 27, 2020

PLAN SPONSOR UPDATE:

Impact of Federal Coronavirus Legislation on Retirement Plans and IRAs

In response to the impacts caused by the coronavirus pandemic, the U.S. Congress has approved the Coronavirus Aid, Relief, and Economic Security (CARES) Act. The CARES Act provides greater access to assets held in tax-qualified retirement plans and IRAs. Specifically, relief provided in the CARES Act:

- Expands distribution and loan (including loan repayment) rules and limits for retirement accounts in eligible plans (generally, qualified plans, 403(b) plans, and eligible governmental 457(b) plans) and IRAs;
- Waives the 10% additional tax on such qualifying distributions from those same eligible plans and IRAs, that would otherwise apply to early distributions (generally, prior to age 59½); and,
- Provides a temporary waiver of required minimum distributions (RMDs) due to be paid in 2020 (including 2019 RMDs due to be paid by April 1, 2020).

Qualification for a coronavirus-related distribution or loan would apply if the individual (or individual's spouse or dependent) is diagnosed with the virus or the individual suffers adverse financial consequences due to quarantine, furlough, layoff or reduced work hours due to the virus, lack of childcare or closing or reduced hours of a business owner/operator due to such a virus.

For in-plan participant accounts, many of the provisions will only be available if elected by the Plan Sponsor. In addition, Plan Sponsors that elect them generally will need to amend their plan documents accordingly, before the last day of the first plan year beginning after January 1, 2022 (January 1, 2024 for governmental plans).

In the upcoming days, we will send Plan Sponsors a checklist of options so that we may provide the associated CARES Act provisions to your participants in a manner consistent with your plan directions.

More details on the relief provisions that are included in the CARES Act are provided below.

Changes to distribution rules:

- Penalty-free withdrawals during calendar year 2020 from eligible accounts up to \$100,000 (combined limit) can be made as a coronavirus-related distribution. This includes any qualifying distributions made during 2020 prior to enactment.
- The qualifying distribution could be:
 - Included in income over a three-year period
 - Repaid to a plan or IRA within three years of the date of the distribution

Changes to loan rules:

- Loans from Qualifying Plans to those eligible for coronavirus-related distributions could be made with an increased loan limit of the lesser of \$100,000 or 100% of the vested account balance.
- Repayments of existing or new loans made to a participant eligible for a coronavirus-related distribution would be delayed for one year and subsequent repayments adjusted to reflect the delay and loan interest accrued during the delay.

Suspension of required minimum distributions (RMDs) in 2020:

- Temporary waiver of minimum distribution requirements; suspending required minimum distributions for 2020.
- The waiver would apply to most distribution required to be made in calendar year 2020.

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