CARES Act

On Friday, March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law. Included in the massive financial relief package were several important provisions impacting retirement plans and designed to assist plan participants.

- A new, optional type of distribution is permitted for coronavirus-related distributions.
  - Who qualifies –
    - ✓ Participant, spouse or dependent has been diagnosed with the virus via a CDC-approved test.
    - ✓ Participant has been impacted financially by COVID-19 – through layoff, furlough, quarantine, reduction in hours, inability to work due to lack of child care as a direct result of the pandemic, participant's own business needing to close or reduce hours
      - If either of the above apply, Participants will be required to self-certify that they have suffered a heavy financial burden due to the coronavirus pandemic.
  - Maximum withdrawal is $100,000. Vesting tables still apply.
  - 10% early distribution penalty is waived
  - Distribution is not eligible for rollover. Therefore, 10% optional withholding would apply (unless participant elects otherwise)
  - Distribution **will** be subject to income tax. However, the tax can be spread equally over a three year period.
  - If the participant is able, all or part of the withdrawal can be repaid within three years, either to the affected plan or any other plan that accepts rollovers. If income tax was paid on any portion of an amount that is repaid, the participant can file an amended tax return to recover the tax paid.
- The $50,000 loan limit has been increased to 100% of a qualified participant's vested account balance with a loan maximum of $100,000. A qualified participant is one that could meet the same coronavirus-related tests as discussed above for coronavirus-related distributions.
  - COVID-19 loans must be requested during the 180 days following enactment of the CARES Act.
  - Additionally, loan repayments due between the enactment date and December 31, 2020 can be delayed up to one year.
  - The maximum 5 year loan repayment term is also extended one year (please note that interest will accrue during this period).
- Required Minimum Distributions due in 2020 will not be required in order to permit assets to recover in value.
  - Please note that this includes any initial required distributions with a due date of April 1, 2020, provided the distribution has not already been processed.
  - The waiver applies to certain defined contribution plans, 403(b) plans, governmental 457(b) plans and IRAs. Defined benefit plans are not exempted.
  - It is anticipated that participants who have already received a required distribution in 2020 will be permitted to rollover to an IRA within 60 days. If actively employed, participants may be permitted to roll those monies back into the plan. Hopefully additional guidance will be forthcoming.
- If a participant lives in a state that has been declared a FEMA major disaster area that has been approved for individual assistance, the plan could permit a hardship distribution.
- Single employer defined benefit plan funding requirements for 2020 can be deferred **until January 1, 2021**. However interest will accrue. A plan sponsor may elect to apply the plan's 2019 funded status in determining the application of benefit restrictions in plan years containing the 2020 calendar year.

Plans will need to be amended to conform their plans to their operation. However, the deadline for amending the plan is delayed until the last day of the plan year beginning on or after January 1, 2022.

Please contact your Plan Consultant with any questions. Our best wishes are with you and your family as we navigate through this difficult time.