



April 3, 2020

Re: Coronavirus Aid, Relief and Economic Security Act and your Retirement Plan

On Friday, March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law to address the economic impacts associated with the COVID-19 virus. The CARES Act includes provisions that impact retirement plans of all types.

The following is an overview of the key changes in the CARES Act that impact retirement plans:

Coronavirus-Related Distribution ("CRD")

- The CARES Act contains a new distribution type from a qualified retirement plan or IRA called a coronavirus-related distribution ("CRD").
- A CRD is available to "qualified individuals" in a 401(a) profit sharing plan, 401(k) plan, 403(b) plan, Governmental 457(b) plan and IRAs.
 - The eligibility requirements for a "qualified individual" include someone:
 - who is diagnosed with COVID 19 by CDC recognized test,
 - whose spouse or dependent (as defined in Code section 152) is diagnosed with such virus or disease, or
 - who experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to such virus or disease, being unable to work due to lack of child care due to such virus or disease, closing or reducing hours of a business owned or operated by the individual due to such virus or disease, or other factors as determined by the Secretary of the Treasury.
 - NOTE: The Plan Sponsor may rely on the employee's self-certification that they meet one of these criteria
- Maximum amount of \$100,000 per individual (limit across all qualified plans and IRAs). Plan Sponsors are obligated to enforce the limit for all plans in the same controlled group.
- Must be distributed before 12/31/2020.
- Not subject to the 10% premature distribution penalty.
- Not subject to 20% mandatory withholding and there is no requirement to provide a 402(f) notice.
- Unless an individual elects otherwise, included in gross income ratably over three years.
- The distribution may be repaid within three years of the date of distribution to any plan or IRA to which a rollover contribution can be made. Repayments will be treated as a rollover contribution.

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Participant Loan Changes

- For “qualified individuals” as defined above, the following loan provisions are available through the CARES Act:
 - Increase to the participant loan limit to the lesser of \$100,000 or 100% of the participant’s vested account balance.
 - Increase available for loans made from March 27, 2020 to September 23, 2020.
 - Loan repayments otherwise due from March 27, 2020 through December 31, 2020 can be delayed for up to one year.
 - Interest would be accrued during the delay and the loan term can be extended up to one year.

Required Minimum Distribution Waiver

- The CARES Act mandates for a waiver of the required minimum distributions (“RMDs”) due in calendar year 2020 from a qualified defined contribution plan (401(a), 401(k), 403(b), 457(b)).

Single-Employer Defined Benefit Plan Funding Relief

- The due date for any minimum required contributions to a single-employer defined benefit plan otherwise due in 2020 is extended to January 1, 2021, at which time the payment will be due with interest.
- Further the CARES Act provides that plans may use their funded status for the most recent plan year ending before January 1, 2020, for purposes of determining any benefit restrictions based on the plan’s funded status for plan years that include calendar year 2020.

Plan Amendments for the CARES Act

- Plans may adopt the provisions of the CARES Act immediately provided the plan is amended before the last day of the first plan year beginning on or after January 1, 2022, to reflect the plan operations.