

We Are Here For You

Coronavirus Aid, Relief and Economic Security Act Enacted



In the wake of the novel coronavirus, COVID-19 pandemic and related impacts on business operations, plan sponsors have become increasingly concerned about how to assist their participants through these difficult financial times.

When are the CARES Act changes effective?

The CARES Act was signed by the President on March 27, 2020 and the changes are effective immediately.

How does the CARES Act affect retirement plans?

The CARES Act contains provisions that affect the ability of certain participants to access their account balances in this time of need as well as delay required minimum distributions (RMDs) due to be paid in 2020.

How can my plan implement the provisions included in the CARES Act?

OneAmerica® assumes that you will want to allow the relief afforded by the CARES Act immediately. You should have received a CARES Act "Opt-Out" Form that indicated we will implement COVID-19 distribution and loan provisions detailed on the following page.

Unless you opted-out, these features were implemented on April 7th. Should you wish to change the default implementation of these features, or add them, contact your OneAmerica representative.



A message from Chairman, President and CEO Scott Davison

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COVID-19 Distributions

Are plan participants affected by COVID-19 able to take a distribution from their retirement account?

If you choose to allow this in your plan, your participants are able to take a distribution from their retirement account. The CARES Act creates a new penalty-free distribution up to an individual maximum of \$100,000 regardless of whether they participate in one plan or multiple plans. The distributions may be taken on or after January 1, 2020, and before December 31, 2020 and are available to a “qualified individual” who meets any one of the following:

- Is diagnosed with COVID-19
- Has a spouse or dependent(s) diagnosed with COVID-19
- Experiences adverse financial impact due to quarantine, furlough, layoff, reduced work hours or inability to work for childcare-related issues due to COVID-19
- Is faced with other COVID-19-related factors as determined by the Secretary of the Treasury

Is this distribution an eligible rollover and subject to tax withholdings?

A COVID-19 distribution is not an eligible rollover distribution and is not subject to the 20 percent withholding for payment of taxes. A participant can receive the entire amount of the distribution or elect to withhold taxes.

Must the plan be amended to allow COVID-19 distributions?

The CARES Act specifically indicates that these distributions are deemed to comply with the distributable event requirements applicable to 401(k), 403(b) and 457 governmental plans. A plan amendment must be executed by the last day of the plan year beginning on or after January 1, 2022 or such later date as the Secretary of the Treasury shall prescribe (with an additional time permitted for amendments to governmental plans).

If OneAmerica provides document services for your plan, we will prepare amendments at a later date.

What type of documentation is required to verify that a participant is eligible for a COVID-19 distribution?

You may rely on the participant’s certification that they are a “qualified individual” who is eligible for a COVID-19 distribution.

457(b) tax-exempt plan participants are required to show that the emergency expenses could not otherwise be covered by insurance, liquidation of assets or cessation of deferrals under the plan.

Can a participant repay a COVID-19 distribution?

If a “qualified individual” takes a COVID-19 related distribution, that participant would be able to pay income tax on the distribution over a three-year time span beginning the date of the distribution. Participants may repay these distributions within three years, and for any portion repaid, the tax consequences of the initial distribution will be abated. The amount of the COVID-19 distribution that is not repaid is taxable.

Repayments are not subject to plan contribution limits.

If a participant participates in multiple plans, can they take more than \$100,000?

Individuals are limited to a maximum distribution of \$100,000 regardless of whether they participate in one plan or multiple plans.

Participant Loan Changes

How does the CARES Act affect participant loans?

If you choose to allow this change or loans in your plan, the CARES Act changes various provisions concerning plan loans to participants who meet the definition of a “qualified individual” to which the COVID-19 distribution rules apply. In order to provide greater access to their account balances without taking a taxable distribution, the CARES Act:

- Increases the limit available for loans issued between March 27, 2020, and September 23, 2020, to the lesser of 100% of the participant’s vested account balance or \$100,000 (from a prior limit of 50% or \$50,000).
- Allows for the deferment of repayments for a period of one year for any repayments due between March 27, 2020, and December 31, 2020, (provided interest still accrues and is added to the balance once repayments resume).
- Extends the five-year period for repayment of loans by the period-of-time the repayments are suspended.

What type of documentation is required to verify that a participant is eligible for a COVID-19 related loan?

You may rely on the participant's certification that they are a "qualified individual" as described above.

Must the plan be amended to allow COVID-19 loan changes?

A plan amendment must be executed by the last day of the plan year beginning on or after January 1, 2022, or such later date as the Secretary of the Treasury shall prescribe (with an additional time permitted for amendments to governmental plans).

If OneAmerica provides document services for your plan, we will prepare amendments at a later date.

Required Minimum Distributions Changes

How does the CARES Act affect required minimum distributions (RMDs)?

The CARES Act provides that a defined contribution plan (i.e., 401(a), 401(k), 403(b) and governmental 457(b)) RMDs are waived in 2020. This would include 2019 first year RMDs for individuals born before July 1, 1949, with an RMD payable no later than April 1, 2020.

RMDs for tax-exempt 457(b) plans are not affected. Individuals with account balances in a tax-exempt 457(b) plan must take their RMD in 2020.

What if an RMD has already been taken by a participant?

An RMD taken from a defined contribution plan (except a tax-exempt 457(b) plan) in 2020 is eligible for rollover into an eligible rollover vehicle. Guidance is expected related to the 60-day rollover window, and we will update this document as soon as this information is received.

What if a participant took their RMD in 2019 even though the deadline for distribution was April 1, 2020?

The CARES Act provisions related to RMDs are effective January 1, 2020; therefore, RMDs taken in 2019 are not affected.

Is OneAmerica freezing RMDs for 2020 (including installment payments) or will participants be required to request that their RMD be delayed?

OneAmerica will not initiate correspondence related to first year RMDs to individuals who, prior to the CARES Act, would have a required beginning date for an RMD in 2020. In addition, OneAmerica will not distribute installment RMDs.

If an individual is eligible for an RMD and would like to take a distribution, they may request an in-service withdrawal (if your plan allows) or a plan distribution (if participant has terminated employment).

Other Changes

Are there other provisions that participants or I should be aware of?

The CARES Act includes changes and/or relief related to:

- Defined benefit plans
- Student loan repayments
- Health savings plans

We encourage you and your participants to contact your attorney or tax advisor for additional information.

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