

April 6, 2020

Dear Valued Clients and Friends,

The “Coronavirus Aid, Relief, and Economic Security Act” or “CARES Act” was signed into law on March 27, 2020 and included provisions affecting your qualified retirement plan. Although more details will be forthcoming once the IRS releases further guidance, here is a summary of the provisions:

1. Tax-Favored Withdrawals

- A new “coronavirus related distribution” is available for qualified participants until December 31, 2020.
- A participant is eligible for this distribution if - diagnosed with SARS-COV-2 or COVID-19, spouse or dependent is diagnosed, experienced adverse financial consequences as result of being quarantined, furloughed, laid off, having work hours reduced, unable to work due to lack of childcare, closing or reducing hours worked by business owned or operated by individual.
- The distribution amount can be up to \$100,000.
- The distribution applies to all types of Contributions including 401(k), profit sharing, matching and safe harbor.
- The requirement of attaining age 59 ½ for in-service distribution of 401(k) contributions is waived.
- The 10% excise penalty for distributions under age 59 ½ does not apply.
- The distribution applies to Cash Balance/Defined Benefit Plans but only if the participant terminated employment or attained age 59 ½.
- The required 20% federal withholding tax required does not apply.
- The taxable income can be spread over 3 years.
- The distribution may be repaid or “rolled over” for a 3 year period starting on date of distribution.
- Plan sponsors may rely on employee certification.

2. Participant Loans

- The maximum loan amount is increased from \$50,000 or 50% of vested account balance to \$100,000 or 100% vested account.
- The increased loan amount is available for eligible loans until September 23, 2020.
- Similar to current rules the maximum loan available is reduced by the highest outstanding balance over the last 12 months.
- Loan payments remaining for rest of 2020 can be delayed 1 year and repayments amounts will be adjusted with interest.

- the 1-year delay of loan payments does not count in the 5 year term limit.
- These new loan provisions apply only to qualified individuals defined above.

3. Waiver of required minimum distributions

- Required minimum distributions for defined contribution plans (401(k)/MP/PS/403(b) and IRAs) are waived for 2020.
- The waiver does not apply to defined benefit/cash balance plans
- The waiver does include distributions required by April 1, 2020 for participants that attained age 70 ½ in 2019.
- Distributions already received in 2020 may be rolled over.

4. Defined Benefit Plans

- Any minimum required contribution due in 2020 can be deferred until 1/1/2021.
- This applies to both plan year 2019 contributions and 2020 quarterly contributions
- Interest will accrue on the required contribution until payment made.

5. Plan Amendments

- Generally, Plan amendments reflecting the CARES, Act provisions are not required until the end of the 2022 plan year end.
- Plans may (but are not required) to operationally apply the provisions.

If you would like to discuss any of the above considerations, please let us know. Thank you for your continued confidence in Pension Benefits Unlimited.