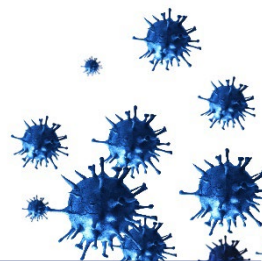


## CARES ACT LEGISLATION SUMMARY: Retirement Plan Funds

On March 27, 2020, the Coronavirus, Aid, Relief, and Economic Security (CARES) Act (the “Act”) was signed into law. A portion of the Act is intended to loosen access to retirement plan funds for individuals impacted by the COVID-19 pandemic. The following is a summary of the retirement-related provisions of the Act:

- **\$100,000 Withdrawal**
  - Waiver of 10% penalty on early withdrawals for amounts up to \$100,000 from a retirement plan or IRA taken between January 1, 2020 and December 31, 2020
  - This withdrawal is only available to a qualified individual (see “qualified individual” below)
  - Individuals are allowed pay the tax on withdrawal ratably over a three-year period; and
  - Individuals are allowed to repay the withdrawal back to the plan, tax-free, over the three years from the date of the withdrawal (not limited by plan limits). May be repaid back into the plan making allowing the withdrawal, another qualified plan or an IRA that accepts rollovers.
  - Plan sponsor has discretion whether to offer this design in their qualified plan
- **Plan loans**
  - Plan loan limits are increased for qualified individuals (see “qualified individual” below) to the lesser of:
    - \$100,000; or
    - 100% of their vested account balance.
  - Qualified individuals (see “qualified individual” below) with existing outstanding loans with a repayment due from the date of enactment of the Act through December 31, 2020 may delay loan repayments for up to one year. The plan can choose to extend the term of the loan for up to a year as well. Doing so would allow participants to avoid a financial hardship when they do resume repayment by keeping their repayment amount the same as prior to the suspension of the repayment. These loans will continue to accrue interest during the period of the suspension of repayments.
  - Plan sponsor has discretion whether to offer these design elements in their qualified plan



- **Qualified individual**

- Eligibility for the penalty-free \$100,000 withdrawal and the adjustment to the loan limits is conditioned upon an individual meeting one of the following criteria:
  - Is diagnosed with COVID-19;
  - Whose spouse is diagnosed with COVID-19;
  - Who experiences adverse financial consequences due to furlough, quarantine, layoff, reduction in hours, inability to work due to lack of child care due to COVID-19, or closing of business/reduction of hours by individual due to COVID-19; or
  - Factors determined by the Secretary of the Treasury
- Importantly, the Act does not require the plan sponsor to verify whether an individual qualifies for the COVID-19 adjusted loan limits or the \$100,000 withdrawal. The plan sponsor may rely upon a participant's certification for eligibility.

- **Required minimum distributions**

- The Act waives RMD payments for 2020.
  - Includes RMD attributable to 2019 which was not paid by January 1, 2020;
  - Includes RMD if already made in 2020; but
  - Does *not* include RMD distributions that were made in 2019.
- For RMDs that were already made in 2020 the participant may defer taxes and roll it back to the plan from which it was made or roll it to another qualified plan or IRA which accepts rollovers. Additional guidance regarding any potential impact to the 60 day rollover period is expected from the IRS.

- **Defined benefit and money purchase pension plans**

- The Act allows these plans to delay any contributions due in calendar year 2020 (including all quarterly contributions) until January 1, 2021. The new January 1, 2021 due date applies for all quarterly contributions (they would no longer be separately due).
- Leveraging the delayed due date would subject the employer to interest on the delayed contributions from the original due date(s) at the effective rate for the plan year that includes the date of payment.
- Plan sponsors should expect leveraging delay should lead to higher contributions in 2021.

- **Reporting and notices**

- The Act empowers the Department of Labor to extend certain deadlines for notices – more information expected in the coming weeks.

**Plans can adopt the new rules immediately.** The plan will eventually need to be amended on or before the last day of the first plan year beginning on or after January 1, 2022, or later if prescribed by the Secretary of the Treasury.

As the pandemic develops and the CARES Act provisions are rolled out, look for more relevant guidance from AssuredPartners in the near future. AssuredPartners resources are updated on our resource center.