

## Retirement plan considerations related to the CARES Act

On Friday, March 27, 2020 the President signed into law the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The Act temporarily provides for new withdrawal options, new and existing loan options, and suspends 2020 Required Minimum Distributions (RMDs) for eligible retirement plans (which includes nearly all of TSC's clients). We are still in need of additional guidance from regulatory agencies on some aspects of the new provisions, but we want you to know that TSC stands ready to assist you now. Please don't hesitate to reach out to your TSC consultant with any questions you may have.

### Special COVID-19 Withdrawals

The CARES Act permits for the optional provision of "COVID-19-related" distributions of up to \$100,000 through December 31, 2020. Importantly, these special distributions are not subject to the normal 10% penalty on early distributions. In addition, the distribution may be repaid at any time over the three-taxable year period that begins on the date the distribution was made. While these distributions are subject to ordinary income tax, individuals may spread out the tax liability over a three-year period beginning with the tax year the distribution occurred. These COVID-19-related distributions are available to "qualified individuals" which is defined as follows:

- Individuals who have been diagnosed with COVID-19 (as confirmed by a CDC-approved test)
- Individuals whose spouse or dependent has been diagnosed with COVID-19
- Individuals who have experienced adverse financial circumstances as a result of being quarantined, furloughed or laid off or having work hours reduced due to COVID-19, being unable to work due to lack of child care due to such virus or disease, closing or reducing of hours of business owned or operated by the individual due to such virus or disease.

Employers may rely on the individual's representations regarding their status as a "qualified Individual" that is eligible for the distribution.

### Loan Limit Increases

The CARES Act increases the maximum dollar amount available for loans from \$50,000 to \$100,000 or 100% of a participant's vested account balance (if less than \$100,000). These new loan limits are available only for loans made by September 23, 2020 and only for qualifying individuals as outlined above.

### Outstanding Loans

Payments to outstanding loans for the remainder of 2020 may be delayed for up to one year for qualifying individuals. Interest continues to accrue during the period and the plan can extend the term of the loan for up to one year.

### Required Minimum Distributions (RMDs)

RMDs due in 2020 are not required for defined contribution qualified plans (401(k), 403(b), and governmental 457(b)) that adopt the CARES Act provision. This includes 2019 RMDs for which the required beginning date falls in 2020. Note that if an RMD was already processed in 2020, then the participant is permitted to roll it back into the plan or into an IRA. It is worth noting that this provision does not appear to apply to defined benefit and cash balance plans.

### Adoption and Application of the CARES Act Provisions

TSC plans to provide a sponsor level amendment to all of its clients' plans adopting all the provisions of the CARES Act so that there is nothing its clients need to do to take advantage of these new temporary provisions. However, we will accommodate any client requests not to implement the provisions of the CARES Act. TSC's systems and personnel have been updated to accommodate the new provisions of the CARES Act. Recordkeepers are also responding rapidly and should have applicable forms available very soon.

We encourage you to contact your TSC Retirement Plan Consultant with any questions you might have about the provisions of the CARES Act outlined here. We hope you and your families are safe and healthy and appreciate the opportunity to serve you during these challenging times.