



BUILDING PUBLIC SECTOR  
RETIREMENT SECURITY

## Coronavirus Aid, Relief, and Economic Security Act (CARES Act) WEBINAR

**WE WILL BEGIN PROMPTLY AT 1:30 PM EST.  
PLEASE REMAIN ON HOLD**

April 15, 2020

# Content

1. Introductions
2. Overview of CARES Act
3. Plan sponsor and participant support
4. Questions
5. Thank you!

# Important disclosures

- ▶ The information contained in this presentation is provided for informational purposes and is not legal advice or plan design guidance.
- ▶ Participants should seek advice from a tax or financial advisor prior to initiating transactions available under the CARES Act, including Coronavirus-Related Distributions (CRD) or delays of Loan Repayments.



DAVIS &  
HARMAN<sub>LLP</sub>

# **CARES Act**

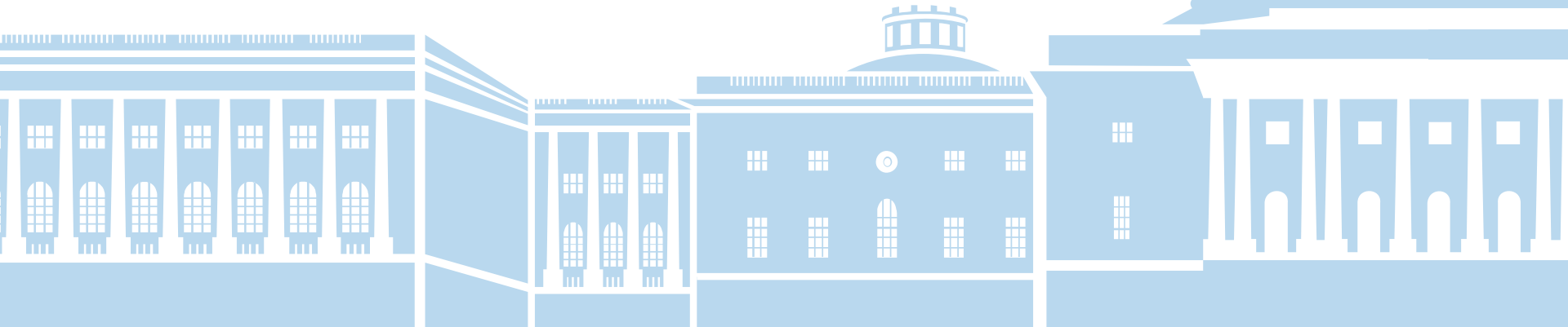
## **Impact on Public Retirement Plans**

---

**April 2020**

**Michael Hadley**  
**Partner**

**Davis & Harman LLP**



# The Coronavirus Aid, Relief, and Economic Security (CARES) Act

Approved by the Senate 96-0 on March 25, House March 27



# Coronavirus Related Distribution (CRD)

- ▶ Distributions in 2020 only
- ▶ Up to \$100,000
  - Applies across all plans and IRAs of an individual
- ▶ Available to all state and local retirement plans (401, 403(b), 457(b)).
- ▶ Plans may generally offer distribution in-service even if participant is under age 59 ½, except money purchase plans.



# Coronavirus Related Distribution (CRD)

## Eligibility Criteria

### Must meet one of the following:

- be **diagnosed** with the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention
- have **spouse or dependent** who is diagnosed with such virus or disease by such a test
- experience **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 IRS.



Plan permitted to accept **self-certification.**

Plan need not confirm *which* criteria applies to participant

Beneficiaries and alternate payees can qualify.

# Coronavirus Related Distribution (CRD)



## Advantages to individual

- 10% early withdrawal penalty waived
- Income inclusion over 3 years, unless individual elects otherwise
  - For federal income tax purposes only
- Repayment as a rollover allowed within 3 years

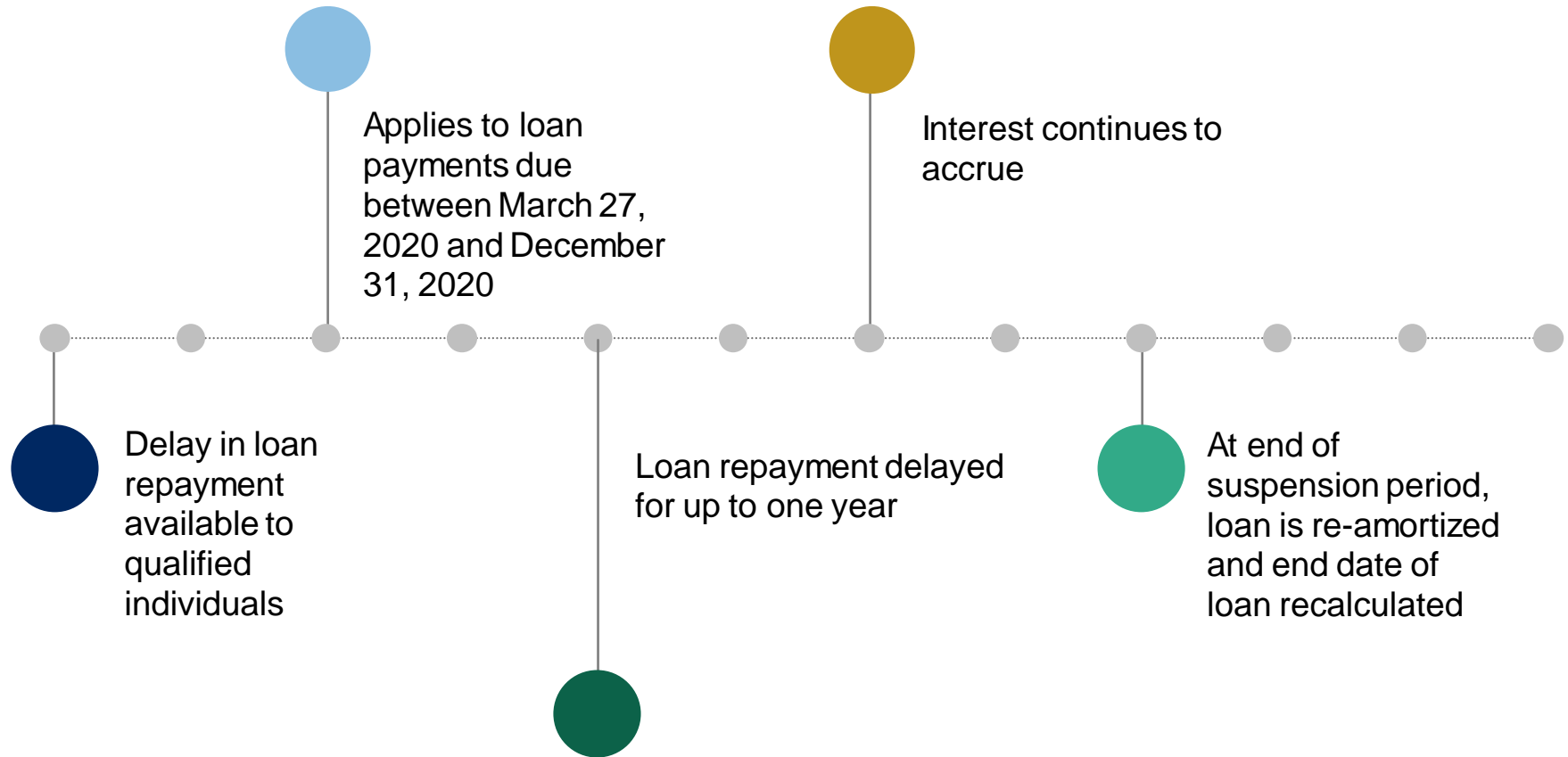


## Administrative issues

- Plan not required to withhold 20%
- No 402(f) notice required
- Plan need not offer direct rollover



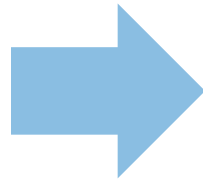
# Ability to Delay Loan Repayments



# Higher Loan Limits

## Current Law

Loans limited to lesser of \$50,000 or 50% of account balance



## CARES Act

- Loans taken out until September 23, 2020 (i.e. 180 days after enactment) may be for up to \$100,000 or 100% of account balance
- Total loan continues to be reduced by any other outstanding loans
- Participant must be a qualified individual

# Waiver of RMD for 2020

- ▶ Required minimum distribution is waived for 2020
- ▶ Available for defined contribution plans (401, 403(b), governmental 457(b)) and IRAs
- ▶ Does not apply to defined benefit plans
- ▶ Available if first RMD was due April 1, 2020
- ▶ Available for beneficiaries of inherited plan accounts and IRAs

*Congress also waived RMDs for 2009, during financial crisis*

# Ongoing Regulatory Relief

## Notice 2020-23/Rev. Proc. 2018-58

### Delay to July 15 (if due April 1 to July 15)

- Individual tax filing
- Loan due dates (including grace period)
- 90-day permissive withdrawal of automatic enrollment
- Excess deferrals from 401(k) plans
- 2019 IRA and HSA contributions
- Deadline for making rollovers
- Form 5498 for reporting IRA contributions
- Distribute excess contribution to IRA

### Affects only private plans and participants

- Deadline to distribute contributions to pass testing
- Form 5500
- Deadline to make employer contributions in connection with business tax return
- PBGC deadlines



# Plan sponsor and participant support



# Actions taken by ICMA-RC

- ▶ RMD waivers and communication with participants
- ▶ Coronavirus and CARES Act Resource Center:  
[www.icmarc.org/resourcecenter.html](http://www.icmarc.org/resourcecenter.html)
- ▶ Washington Perspective
- ▶ Plan Sponsor Notification and Optional Provision Election Form
  - ▶ EZLink message – April 7, 2020
  - ▶ Email sent to plan sponsor contacts – April 9, 2020
  - ▶ Complete options online
  - ▶ Finalize formal amendment by 2024

# Participant support

- ▶ RMD Withdrawals - **No action needed.** If receiving RMD installments, these will continue unless otherwise directed.
- ▶ CRD – Up to \$100,000 across all plans with signed CRD self-certification.
- ▶ Coronavirus-Related Loans – Up to \$100,000 or 100% of vested balance with self certification. Must be taken by September 23, 2020.
- ▶ Loan Repayments Suspension – Participants will provide a form to suspend payments and provide self-certification.

Participants should speak with a tax or financial advisor prior to taking CRDs



# COVID-19 fees in the news

- ▶ ICMA-RC has never charged fees to plan sponsors for plan design changes, or to participants for emergency, hardship, or other in-service withdrawals.
- ▶ CRD loan initiation fees have been waived through September 23, 2020.

# CARES Act questions



# Thank you



ICMA-RC is here to serve you and is committed to assisting your participants during this most difficult time.

To those who serve our communities, you have our deepest thanks.