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Coronavirus Aid, Relief, and Economic Security Act (CARES Act) Summary

The CARES Act was signed into law by President Trump on Friday, March 27, 2020. This much anticipated stimulus bill includes substantial retirement plan changes. Below is a summary of those changes. As more guidance is issued, we will provide you with that information as quickly as we can.

Coronavirus-Related Distributions now available

Qualified retirement plans may permit in-service distributions from a participant's vested account balance, not otherwise permitted under the normal withdrawal restrictions. This relief is currently offered through December 31, 2020. The following requirements apply:

1. Maximum limit of \$100,000, aggregated across all plans of the employer;
2. Not subject to the mandatory 20% federal tax withholding;
3. Exempt from 10% early withdrawal penalty, generally applicable to distributions made to participants who are age 59-1/2 or younger;
4. Eligible to be indirectly rolled into an IRA or employer plan within 3 years from the date the distribution is taken; and
5. Any amounts not indirectly rolled into an IRA or employer plan are included in gross taxable income, pro-rata, over the 3 tax years beginning with the tax year of the distribution, unless the participant elects to include all amounts in a single tax year

Eligibility for Coronavirus-Related Distributions

The qualifying individual must be one of the following:

1. An individual diagnosed with COVID-19 or SARS-CoV-2 illness.
2. An individual whose spouse or dependent is diagnosed with COVID-19 or SARS-CoV-2.
3. An individual who experiences "adverse financial consequences" as a result of being quarantined, furloughed, laid off, reduction of work hours, inability to work due to lack of child care caused by COVID-19 or SARS-CoV-2, the closing or reduction of hours by a business owned or operated by such participant due to COVID-19 or SARS-CoV-2...or other factors determined by the Treasury Secretary (which means further guidance could be coming).

The affected participant's certification that he/she qualifies under these parameters is sufficient for the Plan Sponsor to approve the distribution.



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Maximum Loan Limit Increased

Participants who qualify for a Coronavirus-Related Distribution (as defined above) may take a loan of up to the lesser of \$100,000 or 100% of the individual's vested account balance. This is double the current maximum limit of the lesser of \$50,000 or 50% of the individuals vested account balance. This increase applies to loans taken for a period of 180 days after date of enactment (i.e. loan must be made by September 23, 2020).

NOTE: In order to take advantage of the increased loan limits, the plan will need to be amended to add the loan provision if such provision does not already exist in the plan.

Plan Loan Repayment Relief

Affected individuals (as defined above) with outstanding loan balances on or after the date of enactment (March 27, 2020) of the CARES Act may be permitted to delay loan repayments for up to one year, upon request. This only applies to loan repayments due between March 27, 2020 through December 31, 2020. Accrued interest will be added to future payments for the period of delay and the term of the loan will be extended, regardless of the length of the loan's original term. **NOTE: Subject to availability by your record keeper, you may also change your plan loan rules to allow participants to repay loans with out-of-pocket funds if they do not have payroll at this time. This would require a slight change to your plan loan provisions that we can prepare for you, if your plan currently requires all loan repayments be made through payroll deductions.**

Required Minimum Distributions Waived

The Required Minimum Distribution (RMD) requirements are **waived** for distributions that are due in 2020. This applies to those with a required distribution date in 2020, as well as a required beginning date in 2020; therefore, this would also apply to the first RMD due by April 1, 2020 for those who turned age 70-1/2 in 2019.

Please contact our office if you wish to discuss this information in more detail. This publication is intended for general information purposes only and does not and is not intended to constitute legal advice. This is not meant to be an all-inclusive summary of all components of the CARES Act, but merely highlight significant features. The reader must consult with legal counsel to determine how laws or decisions discussed herein apply to the reader's specific circumstances.