

# COVID-19 AND THE CARES ACT: ACTION ITEMS FOR QUALIFIED RETIREMENT PLAN SPONSORS

Under the CARES Act enacted on March 27, 2020, retirement plan sponsors may allow participants who are “qualified individuals” to access retirement accounts now if they amend their plans to allow coronavirus-related withdrawals. These new rules are optional, not mandatory, and plan sponsors generally must amend their plans to include them by the last day of the first plan year beginning on or after January 1, 2022.

“Qualified individuals” are participants (or their spouses or dependents) who either:

- (1) are diagnosed with coronavirus, or
- (2) experience adverse financial consequences as a result of being quarantined, furloughed, laid off, reduced work hours, inability to work due to lack of childcare or business closures related to the pandemic.

RETIREMENT PLANS			
PLAN BENEFIT	CARES ACT PROVISIONS	TIMEFRAME	ACTION ITEMS
Delayed Loan Repayments	<ul style="list-style-type: none"> <li>• “Qualified individuals” who had outstanding loans as of 3/25/20 may delay repayment for one year</li> <li>• Interest will continue to accrue</li> <li>• Loan reamortized after suspension period</li> <li>• Five-year rule will disregard this period of suspended payments</li> </ul>	Payments that were otherwise due between 3/25/20 - 12/31/20	<ul style="list-style-type: none"> <li>• Amendment of plan document and loan policy</li> <li>• Coordination with recordkeeper and loan administrator</li> </ul>
Increased Loan Amounts	Maximum coronavirus-related loan that “qualified individual” may take increased to the lesser of \$100,000 or 100 percent vested account balance (reduced by prior loan balances)	Loans made between 3/25/20 - 9/22/20	<ul style="list-style-type: none"> <li>• Amendment of plan document and loan policy</li> <li>• Coordination with recordkeeper and loan administrator</li> </ul>

\*Effective as of April 6, 2020; subject to change as legislation is enacted and regulations promulgated.

*These action items are intended as an educational tool and is not as legal advice.*

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PLAN BENEFIT	CARES ACT PROVISIONS	TIMEFRAME	ACTION ITEMS
Emergency Withdrawals	<ul style="list-style-type: none"> <li>• “Qualified individual” may take up to \$100,000 in coronavirus-related distribution</li> <li>• Plan administrator can rely on participant certification of qualified individual status</li> <li>• Distributions can be repaid over three years</li> <li>• Tax may be spread over three years beginning in 2020</li> <li>• Waiver of 10 percent early withdrawal penalty</li> </ul>	Withdrawals taken between 1/1/20 - 12/31/20	<ul style="list-style-type: none"> <li>• Plan amendment</li> <li>• Recordkeeping of participant certification</li> <li>• Coordination with recordkeeper</li> </ul>
Waiver of RMD Rules	<ul style="list-style-type: none"> <li>• Waives required minimum distributions (RMDs) for 2020</li> <li>• Applies to participants who otherwise would be required to withdraw funds from their accounts in 2020</li> <li>• Includes any distribution that would have been required by 4/1/20, by reason of participant having attained age 70 and a half during 2019</li> </ul>	2020 calendar year	<ul style="list-style-type: none"> <li>• Plan amendment</li> <li>• Coordination with recordkeeper</li> </ul>

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