

(CARES) ACT – WHAT YOU NEED TO KNOW! Coronavirus Aid, Relief and Economic Security ACT

The Coronavirus Aid, Relief and Economic Security (CARES) Act provides significant relief for plan sponsors and participants of qualified plans.

Relief for Participants in Qualified Plans

- For 401(k), profit sharing, 403(b) and 457 plans, provides for a special “coronavirus-related distribution” that is exempt from the 10% early withdrawal penalty and can be repaid over a three-year period and is includable in taxable income over a three-year period to the extent not repaid. Distributions may not exceed \$100,000 per individual.

A coronavirus-related distribution means a distribution made on or after Jan. 1, 2020, and before Dec. 31, 2020, to an individual:

- 1) Who is diagnosed with COVID-19.
- 2) Whose spouse or dependent is diagnosed with COVID-19.
- 3) Who experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off, having work hours reduced, being unable to work due to lack of child care as a result of COVID-19, the closing or reduction of hours of a business owned or operated by the individual due to COVID-19, or other factors as determined by the Treasury Secretary.

The plan administrator may rely on an employee’s certification that the employee satisfies the conditions noted above.

- Provides participant loan relief for individuals defined to include those noted in 1-3 above, including:
 - Providing a temporary increase on the plan loan limit (generally, up to the lesser of the present value of the nonforfeitable accrued benefit of the employee under the plan or \$100,000) for loans made during the 180-day period following enactment of the CARES Act.
 - Delaying for an additional year any plan loan repayment that comes due during the period beginning on enactment of the CARES Act and ending on Dec. 31, 2020. Any subsequent repayments must be adjusted to reflect the delay in due date and any interest accrued during the delay.
- Provides a waiver of required minimum distributions (RMD’s) required to be made in calendar year 2020 from IRA’s and defined contribution plans.

Relief for Companies that Sponsor Defined Benefit Pension Plans

Contribution delay. Employers have until Jan. 1, 2021, to make any minimum required contributions originally due during the 2020 calendar year. The relief applies to quarterly contributions and any year-end contributions, regardless of plan year. When paid, contributions will include interest for late payment at the plan’s effective interest rate for the plan year to which the contribution relates.

Benefit restrictions. When determining whether Section 436 benefit restrictions apply to any plan year that includes the 2020 calendar year, sponsors can choose — but are not required — to use the plan’s adjusted funding target attainment percentage (AFTAP) for the plan year ending in 2019. This relief could help sponsors avoid freezing benefits and continue to offer lump sums and other accelerated payment forms in 2020, even if the plan’s funded status has significantly declined in the wake of the pandemic.

TAKE ACTION:

Under the CARES Act, plans would have until the end of the plan year beginning on January 1, 2022 to adopt a retroactive amendment to reflect these changes. **If you do not want to allow for CARE Distributions or loans in your plan please notify Ingham Retirement Group by March 31, 2020.**

For more information on the CARES ACT, or for help making sure that these changes get processed in your plan, please contact your INGHAM Consultant at 305-671-2200.

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