KNOX COUNTY RETIREMENT & PENSION BOARD

UPDATES TO YOUR RETIREMENT PLAN UNDER THE CARES ACT

The CARES Act (Coronavirus Aid Relief and Economic Security Act) was enacted on Friday, March 27, 2020. The CARES Act is a $2 trillion stimulus package intended to help the economy as it suffers from the coronavirus pandemic. The provisions of the CARES Act impact many sectors of the U.S. economy by providing relief to employers and businesses, providing relief to individuals by expanding unemployment benefits, and making direct payments to most Americans. In addition, the CARES Act includes several retirement plan provisions, which allow plan participants who are experiencing COVID-19 related consequences to access their defined contribution plans’ funds in certain ways that are not ordinarily permitted.

Certain provisions of the CARES Act apply to “qualified individuals”. Qualified Individuals are those who experience one or more of the following circumstances:

1. Diagnosed with COVID-19;
2. Spouse or dependent is diagnosed with COVID-19; or
3. Adverse financial consequences as a result of COVID-19, due to quarantine, furlough, lay-off, reduction in work hours, inability to work due to lack of child care, closing or reduction of hours of a business owned or operated by the individual due to the coronavirus, or any other factors as determined by the Treasury Secretary.

Below is a summary of updated plan provisions under the CARES Act that your plan has adopted.

**Coronavirus-Related Distributions**

Per the terms of the CARES Act, your plan will permit Qualified Individuals (as defined above) to withdraw 50% of the vested account balance up to $50,000 for coronavirus-related hardships through December 31, 2020. For this purpose, you, the participant, must certify that you satisfy these conditions in requesting a coronavirus-related distribution, and you should retain appropriate documentation in support of this distribution request in your files. A “Coronavirus-Related Distribution Form” has been created for your plan specifically to request such distributions and may be obtained in the same manner as other plan forms.

The CARES Act waives the 10% early distribution penalty that normally applies to similar hardship distributions and waives mandatory federal income tax withholding from such distributions. Per the CARES Act, you have the option to repay the distribution back to the plan within three years of the distribution. Such repayments, if made, will be treated as a direct rollover contribution to the plan. The income tax on the distribution may be paid ratably over a period of three years. You may wish to consult a tax advisor to determine tax withholding and/or tax payment appropriate for your personal situation.

**Plan Loans**

Your plan has not only waived the 12-month waiting period between loans through December 31, 2020, but they are also allowing a second loan not to exceed 50% of your vested account balance up to $50,000 be taken through December 31, 2020. Qualified Individuals (as defined above) who are eligible to request a loan from the plan continue to be limited to General Government employees.

In addition, for any qualified individual who has an outstanding loan (including loans taken prior to the enactment of the CARES Act on March 27, 2020), loan repayments that are required to be made through December 21, 2020 may be delayed for a period of up to one year.

**Temporary Waiver of Required Minimum Distributions (RMD)**

As permitted by the CARES Act, your plan has waived the RMD requirement for the calendar year 2020. The waiver applies to both 2019 distributions that were required to begin no later than April 1, 2020, as well as 2020 distributions that are required to be taken no later than December 31, 2020. If you are eligible for the RMD, you will receive an election form in November if you choose to voluntarily elect to receive your RMD in 2020.