



RPC Roundtable Discussion on CARES Act Relief

Josh Kegley & Skye Schott of RPC

Jeremy Palm of Lurie, LLP



Coronavirus, Aid, Relief And Economic Security (CARES) Act

AGENDA

- Participant Relief
- Plan Sponsor Relief
- Cash Balance Options
- ARA Requested Relief from IRS and DOL

Coronavirus-Related Distribution

- Distributions during 2020 qualify
- Maximum is \$100,000 per individual (all plans aggregated)
- Not subject to 10% additional tax
- Not treated as eligible for rollover (so no 20% mandatory withholding notice required)
- Income taxes can be paid over a 3-year period
- Does not have to meet other distributable events under the plan

**Eligible Plans: 401(k), 403(b), 457(b), IRA, Profit Sharing Plans*

Qualifying Conditions

- Diagnosed with the virus (via test approved by CDC)
- Whose spouse or dependent is diagnosed with virus
- Who experiences adverse financial consequences as a result of:
 - Quarantine
 - Furlough
 - Laid Off
 - Hours reduced
 - Unable to work due to childcare
 - Closing of business
 - Or other factors determined by Treasury Secretary



Updated Distribution Form:

- Coronavirus-Related Distribution** - A participant withdrawal up to \$100,000 penalty free between January 1, 2020 and December 31, 2020 if the plan allows for this type of withdrawal. The participant must fall under one of the following qualifying conditions. The participant is responsible for certification of their qualifying condition.
- The participant is diagnosed with COVID-19. (Test approved by CDC)
 - The participant's spouse or dependent is diagnosed with COVID-19. (Test approved by CDC)
 - The participant experiences adverse financial consequences as a result of COVID-19 (Reasons: quarantine, furlough, laid off work, reduced hours at work, unable to work due to childcare, loss of business, and other factors as determined by Secretary of the Treasury)

6. INCOME TAX WITHHOLDING

NOTE: If you elect to receive all or a portion of your account in cash, taxes will automatically be withheld and forwarded to the IRS and/or your state taxing authority, unless an exception applies. No withholding is required if the distribution is less than \$200.

EXCEPTION TO MANDATORY WITHHOLDING - If your distribution is not an eligible rollover distribution, mandatory tax withholding does not apply (i.e. Hardship, RMD and Coronavirus-related distribution). If you do not make an election below, the default will apply.

Coronavirus-related Distributions May Be Repaid

- Three-year period (beginning on day after the date distribution was received)
- May be made as one or more contributions to plan
- Repayments may be an amount up to the distribution (cannot adjust for earnings)
- May be made to any eligible retirement plan that accepts rollovers

Loans

- Loan limit increased to lesser of \$100,000 or 100% of vested account balance
 - Only up to 180 days after enactment (3-27-2020 to 09-23-2020)
- Delay of Payment
 - Applies to payments due from date of enactment through December 31, 2020
 - May be delayed for one year
 - Due date adjusted (can go beyond 5-year period)
 - Interest accrues
- Qualifying employees – same definition as withdrawals

Waiver of 2020 RMDs

- RMDs for the 2020 distribution year are waived and do not need to be distributed
- Applies to:
 - Defined Contribution Plans
 - 403(a)
 - 403(b)
 - 457(b) Governmental Plans
 - IRAs
- Does **NOT** apply to DB Plans (RMDs still required)

Cash Balance Plans

You can freeze your Cash Balance Plan:

- Plan specific, but typically before employees work over 1,000 hours
- Reduced contributions required to 401(k)
- Still requires annual administration to be done on the plan
- Can continue to contribute even in frozen state

Contribution funding requirement pushed to 01-01-2021:

- Applies to defined benefit and money purchase pension plans
- Applies to any contribution due in 2020
- Must pay interest on delayed contributions, from original due date to payment date, using effective rate of interest for the plan

What does it mean to freeze your Cash Balance Plan?

2020 Participant Statement (Projected)	NOT FROZEN
12/31/2019 Hypothetical Account Balance	\$100,000
2020 Interest Credit (4%)	\$4,000
2020 Pay Credit (flat \$50,000)	\$50,000
12/31/2020 Hypothetical Account Balance	\$154,000

2020 Participant Statement (Projected)	FROZEN
12/31/2019 Hypothetical Account Balance	\$100,000
2020 Interest Credit (4%)	\$4,000
2020 Pay Credit (flat \$50,000) - FROZEN	\$0
12/31/2020 Hypothetical Account Balance	\$104,000

Payroll Protection Program

- Retirement Plan Costs
- Lenders begin processing April 3, 2020





Plan Examples

Safe Harbor Relief Options

Freeze Your Plan – Stop **all** contributions

Funding Employer Contributions
throughout the year

Proposed ARA Relief

- Allow all Plan Sponsors to suspend any required employer contribution for 2020
- Allow Plan Sponsors with fewer than 500 participant to waive any employer contribution that has not been made for 2019
- Plan Sponsors using these options would not be subject to nondiscrimination rules or top-heavy requirements
- Automatically extend IRS Form 5500 deadline to October 15

Pre-Amendment Form for CARES Act

Go here: <https://retirementplanconsultants.net/covid-19-resource-center/>

- May Apply rules now and amend later
- Download CARES Act Plan Update form
- Fill out, send in via submission link on webpage.

CARES Act – Plan Change Form

PLAN INFORMATION

Plan Name

CARES ACT AMENDMENT OPTIONS

The amendment will include the following changes:

- Allow for the Coronavirus-related distribution of up to a \$100,000 maximum withdrawal per participant under qualifying conditions.
- Allow to increase the maximum loan limit to the lesser of \$100,000 or 100% of vested account balance per participant under qualifying conditions.
- Allow delay of loan payments up to one year for payments due from 3/27/2020 through 12/31/2020 for any participant under qualifying conditions.
- Allow participants to waive their Required Minimum Distribution to be paid in 2020.

Resource Center

RETIREMENT PLAN
CONSULTANTS

SELECT YOUR ROLE ▾

ACCOUNT ACCESS

UPCOMING EVENTS

ADVISOR TOOLKIT

CONTACT US

Your Partner for Retirement Plan Solutions

Retirement Plan Consultants Serves Over 1,800 Plans And 17,500 Participants

COVID-19 RESOURCE CENTER

CORONAVIRUS

information
news
& updates

[more info](#)

The Coronavirus, Aid, Relief and Economic Security (CARES) Act was passed on March 27, 2020. Stay informed and up to date with materials in our COVID-19 Resource Center.

Plan Sponsor FAQs

Click the button below to download a Plan Sponsor frequently asked questions handout, including instructions on how to update your plan with distribution, loan, and RMD options.

[Plan Sponsor FAQs](#)

CARES Act Plan Change Form

Click the button below to download the CARES Act Plan Change form to update your plan's provisions and take advantage of new distribution, loan, and RMD allowances.

[CARES Act Plan Change Form](#)

[Submit Your CARES Act Plan Change Form Here](#)



Thank You!

RETIREMENT PLAN
CONSULTANTS



Retirement Plan Consultants
877-800-1114
retirementplanconsultants.net

