**Notice about Coronavirus Retirement Plan Relief Provisions[[1]](#endnote-1)**

A new law, the CARES Act, allows employers to modify their retirement plans to provide certain relief for participants and beneficiaries who may have been impacted by the coronavirus. We have chosen to implement the changes described below:

**Qualified Individuals**

To take advantage of most of the relief offered, you must be a Qualified Individual. To be a Qualified Individual, you must satisfy at least one of these conditions:

* You, your spouse, or your dependent has been diagnosed for Coronavirus by a test approved by the Centers for Disease Control and Prevention,
* You have experienced adverse financial consequences due to Coronavirus as a result of:
  + Being quarantined, being furloughed or laid off, or having work hours reduced,
  + Being unable to work due to lack of childcare, or
  + Closing or reducing hours of a business you own or operate.

**Coronavirus-Related Distributions[[2]](#endnote-2)**

Prior to December 31, 2020, you can receive a distribution from the plan of up to $100,000.[[3]](#endnote-3) This distribution will reduce your account balance and cannot exceed 100% of your vested account balance.[[4]](#endnote-4) [[5]](#endnote-5) You can repay this distribution to the plan (without earnings) any time within three years after receiving the distribution and restore your account balance.[[6]](#endnote-6)

If you are a Qualified Individual and you receive up to $100,000[[7]](#endnote-7) of retirement plan or IRA distributions between January 1, 2020 and December 30, 2020, there are several special tax benefits which apply. While the distributions are subject to ordinary income tax, you can choose to spread the tax over 3 years. The distribution is not subject to the 10% penalty tax which normally applies to distributions before age 59½. You can avoid the tax altogether if you repay the distribution to a retirement plan or IRA within three years.[[8]](#endnote-8)

**Higher Participant Loans**

Normally, participant loans are limited to a maximum of 50% of your vested account or $50,000, subject to certain adjustments. If you are a Qualified Individual, those limits are doubled for loans taken between now and September 23, 2020.[[9]](#endnote-9) Except as discussed below, all normal plan rules related to participant loans apply.[[10]](#endnote-10)

**Suspended Loan Repayments**

If you are a Qualified Individual, you can suspend repayments for participant loans that would otherwise be due between March 27 and December 31, 2020. In connection with this suspension, the length of the loan will be extended one year, and the monthly payments will be reamortized to reflect the suspension, the extension, and the interest which accrues during the suspension.

**Required Minimum Distributions[[11]](#endnote-11)**

With some exceptions, participants who have reached age 70½ and beneficiaries of deceased participants must take annual distributions from the plan, called required minimum distributions (RMDs). Whether or not you are a Qualified Individual, the CARES Act waives the requirement to take RMDs that would otherwise be due in 2020. The plan will not distribute your 2020 RMD unless you elect to receive it.[[12]](#endnote-12)

**Additional Information**

This Notice also serves as a Summary of Material Modifications to the Plan [and updates the safe harbor notice you previously received].[[13]](#endnote-13) Please keep it with your copy of the Summary Plan Description or other plan materials. The amendment is effective March 27, 2020.[[14]](#endnote-14)

1. This notice is written for plans providing all three forms of CARES Act relief to Qualified Individuals. If the plan is not providing one or two items of the relief, delete the appropriate sections. If the plan is a safe harbor 401(k) or 403(b) plan, it should be provided as soon as the employer has decided to implement the CARES relief, and employees should have at least a 30-day period after receiving the notice to change their deferral elections. [↑](#endnote-ref-1)
2. This clause is written for defined contribution plans. A defined benefit plan should use the following substitute in place of the first paragraph: You can receive a distribution from the plan of up to $100,000 if you are a Qualified Participant. This distribution will reduce your accrued benefit (and hence your future retirement benefits) and may not exceed your vested accrued benefit. Current employees cannot receive this distribution, however, unless they have attained age 59 ½. [↑](#endnote-ref-2)
3. Change this amount if the plan imposes a lower limit on distributions. [↑](#endnote-ref-3)
4. Depending on limitations included in the CARES amendment, you may need to include one or both of the following sentences: You may take this distribution only from accounts in which you are fully vested. You may take this distribution only from the following accounts: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ [↑](#endnote-ref-4)
5. Money purchase pension plan should add the following sentence: Current employees cannot receive this distribution, however, unless they have attained age 59½. [↑](#endnote-ref-5)
6. Delete this sentence if the plan does not permit repayment of coronavirus related distributions. [↑](#endnote-ref-6)
7. Change this amount if the plan imposes a lower limit on distributions. [↑](#endnote-ref-7)
8. Some plans may have different distribution fees for coronavirus-related distributions, compared to other distributions. For example, a plan may waive normal distribution fees, or charge an additional processing fee. Participant directed plans subject to DOL Reg. §2550.404a-5 fee disclosures should include a description of these fee changes. Given the unforeseeable circumstances which give rise to the distribution, it is probably consistent with DOL Reg. §2550.404a-5(c)(2)(B) to provide this information “as soon as reasonably practical” rather than 30-90 days in advance. [↑](#endnote-ref-8)
9. Adjust this sentence as needed to reflect plan limits. For example, depending on the CARES amendment, this sentence could read “If you are a Qualified Individual, then the limit for loans between now and September 23, 2020 is the lesser of $75,000 or 75% of the vested account, again subject to adjustments.” [↑](#endnote-ref-9)
10. Modify this sentence if you are providing special modification of loan rules. For example, if you normally require loans to be repaid by payroll deduction but are allowing new loans to be repaid by ACH withdrawals, you should reflect the changes. [↑](#endnote-ref-10)
11. Delete this section if the plan is a defined benefit plan, or the plan chooses not to provide RMD waivers. [↑](#endnote-ref-11)
12. Some plans will choose to distribute RMDs unless the participant elects not to receive them. In that case, change the last sentence of this paragraph accordingly. [↑](#endnote-ref-12)
13. Delete this phrase if the plan is not a safe harbor 401(k) or 403(b) plan. If it is a safe harbor plan, participants must have at least a 30-day period after receiving the notice to change their deferral elections. If this requires reopening the deferral election period, include that information here. [↑](#endnote-ref-13)
14. Modify if a later effective date is chosen. [↑](#endnote-ref-14)