

Important CARES Act Update for 401(k) Plans

If you adopted CARES Act Provisions for your 401(k) Plan, the following are reminders and additional IRS Guidance to keep in mind:

Repayment of coronavirus related distributions (CRDs)

Under the CARES Act, participants may repay a CRD to their retirement plan within three years. The three-year period begins on the day after the date on which the CRD is received. Only the distribution amount, and no additional money, can be paid back.

- Your 401(k) recordkeeper is prepared to support CRD repayments; contact the participant service support team for additional help:
 - To submit repayments participants should complete the CRD repayment form, which is posted on the participant website if the plan offers CRDs **AND** accepts rollovers.
 - Participants should refer to the form for acceptable payment methods and further instructions.
 - The plan administrator will verify that the repayment doesn't exceed the amount of the CRD.

CARES Loans are No Longer Available:

The CARES Act increased loan limits applied to loans made from March 27 to September 22, 2020. Effective September 23, 2020, participants will not be able to request a loan with the CARES Act increased loan limits. However, if your 401(k) allows loans, participants can borrow against their account in accordance to your loan policy.

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Additional IRS guidance

The IRS recently came out with two notices related to CARES Act provisions for retirement plans. Important information from the notices are outlined below.

- [Notice 2020-50](#) provides guidance on CRDs and loans under the CARES Act.
 - **Definition of "qualified individual"**—Expands events that can cause adverse financial consequence to include reduction in pay (or self-employment income) and rescinded or delayed job offers. In addition, a qualified individual now includes someone who experiences adverse financial consequences related to COVID-19, resulting from their spouse or household member (must live in same residence):
 - being quarantined, being furloughed or laid off, or having work hours reduced due to COVID-19;
 - being unable to work because of lack of childcare due to COVID-19;
 - closing or reducing hours of a business that they own or operate due to COVID-19;
 - having pay or self-employment income reduced due to COVID-19; or
 - having a job offer rescinded or start date for a job delayed due to COVID-19.

You can request with the updated CARES CRD form and details about the new expanded definition of a qualified individual by calling your 401(k) participant help line or contacting your HR representative.

The notice also clarified that a plan administrator can rely on the certification of an individual that he or she is a “qualified individual” for both CRDs and loans under the CARES Act, unless the plan administrator has actual knowledge to the contrary.

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- **Loan suspensions**—Provides a safe harbor rule for the repayment of suspended loans. Under the safe harbor rule, loan repayments and reamortizations of the outstanding loan balance (including interest that accrued during the suspension period) will occur in January 2021 and the reamortization will extend the loan repayment period by 12 months (1 year from the original loan due date). The notice acknowledged that there may be additional reasonable (and more complex ways) to handle loan suspensions and repayments.

The notice provides safe harbor rules that the plan administrator should follow.

- [Notice 2020-51](#) provides further guidance on the waiver of 2020 required minimum distributions (RMD).
 - Participants who received an RMD on or after January 1, 2020 and on or before July 1, 2020 may roll it over to an eligible plan by August 31, 2020 (if the plan accepts rollovers).
 - Participants who received an RMD on or after July 2, 2020 may roll it over to an eligible plan within 60 days after receipt of the distribution (if the plan accepts rollovers).

As additional guidance is received, your 401(k) service provider will update their processes and systems accordingly and provide updates through future communications.

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