

IMPLICATIONS OF CORONAVIRUS LEGISLATION FOR DC PLANS

April 2020

What is the CARES Act?

The CARES Act, or the **C**oronavirus, **A**id, **R**elief and **E**conomic **S**ecurity Act, was passed in Congress and signed into law on March 27, 2020.

Among other things, the \$2 trillion+ stimulus package contains important new rules for DC plans and relief for plan participants.

CARES Act Implications for DC Plans



DC PLAN-RELATED PROVISIONS

1. Required Minimum Distribution (RMD) Relief

Waives RMD rules for 2019 RMDs that needed to be taken by April 1, 2020 and 2020 RMDs for DC plans, including 401(k), 403(b), 457(b) and IRAs.

2. Loosened Hardship Withdrawal and Loan Rules

- Waives the 10% penalty on early withdrawals for participants, and families, impacted by COVID-19
- The penalty free provision covers retirement plans and IRAs
- The penalty waiver applies to early withdrawals up to \$100,000 per participant
- Permits those who take these early withdrawals to pay tax on the distributions over a 3-year period
- Allows participants who take these early withdrawals to repay the amount withdrawn back into the plan over 3-year period, tax-free
- Doubles the current retirement plan loan limits to the lesser of \$100,000 or 100% of the participant's vested account balance in the plan
- Retirement plans would be permitted to adopt these early withdrawal rules immediately, even if the plans does not currently allow for hardship

3. Increased Flexibility for ERISA Deadlines

Expands the Department of Labor's authority to postpone certain deadlines under ERISA.



IMPLICATIONS FOR PLANS & PARTICIPANTS

1. Participants are not required to take withdrawals (distributions) from their retirement plans at depressed market values
2. Rules allow participants increased access to their retirement plan assets in order to manage the economic impacts of the coronavirus
3. Enables the Labor Department to provide additional time for plan sponsors, who may be operating with limited resources, to comply with ERISA disclosure and filing deadlines (including Form 5500 filings, for example).



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