COVID-19 INFORMATION

Significant legislation impacting 403(b)/457(b) plans

In light of the COVID-19 pandemic, significant legislation impacting 403(b)/457(b) plans, and sick leave has been passed to help relieve financial stress during these unprecedented times.

403(b) and 457(b) plans

The Coronavirus Aid, Relief and Economic Security Act

The Coronavirus, Aid, Relief and Economic Security Act, also known as the CARES Act, relieves some restrictions around withdrawals, loans, and a waiver of Required Minimum Distributions for 2020.

Specifically, the CARES Act permits a Coronavirus related distribution for up to $100,000 for an individual:

- **who is diagnosed with COVID-19;**
- **whose spouse or dependent is diagnosed with COVID-19; or**
- **who experiences adverse financial consequences as a result of being quarantined, furloughed, laid off, having work hours reduced, being unable to work due to lack of child care due to COVID-19, closing or reducing hours of a business owned or operated by the individual due to COVID-19.**

The legislation also waives the 10% early withdrawal penalty tax and permits those individuals to pay tax on the income from the distribution ratably over a three-year period, with an option to repay all or a portion of the distribution into the plan over the next three years. Those repayments will not be subject to the maximum allowable contribution limits, and will be treated as a rollover contribution.

The CARES Act also 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. The loan increase, however, only applies to individuals that would qualify for the Coronavirus related distribution (detailed above) and only until September 23, 2020. Individuals with an outstanding COVID loan from their plan with a repayment due from March 27, 2020 through Dec. 31, 2020 can delay their loan repayment(s) for up to one year.

Finally, the CARES Act waives Required Minimum Distributions for 2020.