



COVID-19 RETIREMENT PLAN UPDATE

As previously communicated, the Coronavirus Aid, Relief and Economic Security ("CARES") Act was passed into law on March 27, 2020, and among other provisions, provides for special rules for retirement plans.

This notice provides an update to the FAQs regarding the retirement plan CARES Act provisions designed to provide relief to 401(k) plan participants. Please note that the availability of CARES Act retirement plan options is based upon your Plan Sponsor's approval.

What makes me qualified for the CARES Act retirement plan relief?

To be eligible for the various retirement plan options made available by the CARES Act, you must be a qualified individual. A **qualified individual** is one who is diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (referred to in this notice as COVID-19); whose spouse or dependent is diagnosed with COVID-19; who experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off, or having work hours reduced due to COVID-19; who is being unable to work due to lack of childcare due to COVID-19; or closed or reduced hours of a business owned or operated by the individual due to COVID-19.

In addition, a **qualified individual** is an individual who experiences adverse financial consequences as a result of: the individual having a reduction in pay (or self-employment income) due to COVID-19 or having a job offer rescinded or start date for a job delayed due to COVID-19; the individual's spouse or a member of the individual's household (as defined below) being quarantined, being furloughed or laid off, or having work hours reduced due to COVID-19, being unable to work due to lack of childcare due to COVID-19, having a reduction in pay (or self-employment income) due to COVID-19, or having a job offer rescinded or start date for a job delayed due to COVID-19; or closing or reducing hours of a business owned or operated by the individual's spouse or a member of the individual's household due to COVID-19.

A member of the individual's household is someone who shares the individual's principal residence who was diagnosed with COVID-19, or the individual suffered adverse financial consequences due to COVID-19 (e.g., furlough, reduction in hours, unable to work due to childcare, loss of business, etc.).

As a participant impacted by COVID-19, am I able to access my 401(k) retirement funds?

If allowed by the plan and if you are a **Qualified Individual**, you may be eligible to take a coronavirus-related distribution at any time before December 31, 2020. The distribution amount is limited to no more than \$100,000 in aggregate among all your retirement plans. Any amount in excess of \$100,000 will not qualify for the tax relief available to coronavirus-related distributions. You are able to request a coronavirus-related distribution by logging into your online 401(k) account at www.slavic401k.com and selecting Withdrawals. The coronavirus-related distribution option (COVID-19 Distribution Option) is available under the Hardship Request.

The increased loan limits, as previously allowed under the CARES Act, are no longer in effect. If you need to take a loan out of your 401(k) plan, the loan policy in effect prior to the CARES Act will dictate the terms of your loan.

How will my coronavirus-related distribution be taxed?

- You are able to select a tax withholding percent to be taken out of your distribution at the time of your request.
- You will not be subject to the 10% additional early distribution tax applicable to most distributions taken prior to age 59 ½.
- Your distribution will be reported on Form 1099-R, which you will receive in late January/early February of 2021.

There are two ways you are permitted to include your coronavirus-related distribution in your gross income. You are permitted to include the taxable portion of the distribution in income proportionally over three (3) years, or, you are able to opt out of the 3-year ratable income inclusion and include the entire amount of the taxable portion of the distribution in income in the year of the distributions.

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If I receive a coronavirus-related distribution, can I repay the amount back into my 401(k) account?

In general, a qualified individual who receives a coronavirus-related distribution is permitted to recontribute at any time in a 3-year period, starting on the day after the distribution was received, any portion of the distribution. The recontribution can be made to an eligible retirement plan or IRA that is permitted to accept eligible rollover contributions. The distribution will be taxable if it is not recontributed. The qualified individual will report the amount of the recontribution on Form 8915-E (which will be filed with the individual's federal income tax return, if applicable). To recontribute any portion of your coronavirus-related distribution to your 401(k) account with Slavic401k, you will need to follow the instructions included in the Recontribution Election form. The form is available for download from your online account at www.slavic401k.com under My Portal.

An eligible retirement plan must report the payment of a coronavirus-related distribution to a qualified individual on Form 1099-R. This reporting is required even if the qualified individual recontributes the coronavirus-related distribution to the same eligible retirement plan in the same year.

What relief is available if I have an outstanding 401(k) loan?

If you are a qualified individual and have an outstanding 401(k) loan on or after March 27, 2020, with a scheduled loan repayment due date from March 27, 2020 through December 31, 2020, the due date for that repayment may be delayed for one (1) year. Interest continues to accrue during this period and must be added to the remaining principal of the loan. The plan can extend the term of the loan for up to one year from the date the loan was originally due to be repaid. This option is available if allowed by the Plan. To request a loan deferment, you must complete and submit a Loan Deferment form available for download from your online account at www.slavic401k.com under My Portal.

Have there been adjustments made for Required Minimum Distributions (RMDs)?

Yes. The CARES Act waives the requirement for any RMD that is required to be paid in 2020. This includes an individual's first RMD which is attributable to 2019 (not paid by January 1, 2020). If you already received your RMD in 2020 you have an option to rollover this distribution into an eligible retirement plan or IRA. The 60-day rollover period was extended to August 31, 2020 to accommodate those participants who received their RMDs earlier in the year.

Why does the RMD adjustment matter?

An RMD is calculated using the balance of an individual retirement account on December 31st of the year prior to the date it must be distributed to a participant. The Dow Jones closed at 28,538 on December 31, 2019. On March 27, 2020, the Dow Jones closed at 21,636.78 – a significant decrease. An RMD calculated based on a December 31, 2019 value could lead to a disproportionate RMD relative to today's account values, forcing a disproportionately large taxable distribution.

If you have any questions regarding the CARES Act retirement plan provisions, please contact us at (800) 356-3009 or customers@slavic401k.com.