

KNOX COUNTY RETIREMENT & PENSION BOARD

Updates to Your Retirement Plan Under the CARES Act as of August 7, 2020

The CARES Act (Coronavirus Aid Relief and Economic Security Act) includes several retirement plan provisions, many of which allow plan participants who are experiencing COVID-19 related consequences to access their plans' funds through certain distributions and loans that are not ordinarily permitted. The previously provided communication has been updated to include new guidance provided by IRS Notice 2020-50 released in July 2020.

The IRS Notice 2020-50 expanded the list of "Qualified Individuals" to include: A participant who has either been diagnosed with COVID-19, or whose spouse or dependent has been diagnosed with COVID-19; or a participant, participant's spouse, or member of a participant's household (as defined below), who has experienced adverse financial consequences as a result of COVID-19 due to the individual's quarantine, furlough, reduction in work hours, reduction in pay (or self-employment income), inability to work due to lack of child care, a rescinded job offer, a delayed start date for a job, or the closing or reduction of hours of a business owned or operated by the individual due to the virus.

A "household member" is someone who shares the individual's principal residence. For example, a partner, roommate, or extended family member, etc. may be considered household members.

Coronavirus-Related Distributions ("CRD")

If you are a Qualified Individual, you may elect to withdraw 50% of your vested account balance up to \$50,000 through December 31, 2020. The distribution is not subject to the 10% early withdrawal penalty or mandatory 20% income tax withholding. Voluntary withholding rules apply, and distributions will be reported on Form 1099-R using early distribution codes 1 (no known exception) or 2 (exception applies) in Box 7. The Qualified Individual should use IRS Form 8915-E when filing their federal income taxes to report any CRD.

The CRD tax-free rollover may be recontributed within three years to the Asset Accumulation, STAR, and/or 457 Plan. You must complete the necessary "Coronavirus Recontribution Rollover Form" to recontribute via a Cashier's Check (personal checks not accepted).

Plan Loans

Your plan has not only waived the 12-month waiting period between loans through December 31, 2020, but they are also allowing a second loan not to exceed 50% of your vested account balance up to \$50,000 be taken through December 31, 2020. Qualified Individuals who are eligible to request a loan from the Plan continue to be limited to General Government employees.

Qualified Individuals may request that loan repayments due through December 31, 2020 be delayed. Any delayed loan repayment by a Qualified Individual beginning on or after March 27, 2020 and ending on or prior to December 31, 2020 (i.e., the suspension period) must resume as of the end of the suspension period (January 2021) and the term of the loan may be extended by up to one year from the date of the loan was originally due to be repaid. Additionally, any subsequent repayments of the loan shall be appropriately adjusted to reflect the delay and any interest accruing during the delay.

Temporary Waiver of Required Minimum Distributions (RMD)

The CARES Act waives the required minimum distribution requirements for 2020 calendar year. The waiver applies to any RMDs required in 2020, including participants who turned age 70 ½ in 2019 but who have not yet received their first RMD for 2019 (ordinarily required by April 1, 2020). If the Qualified Individual has already received their RMD in 2020, they have the opportunity to rollover the amount to an eligible plan not sponsored by Knox County within 60-days of the rollover period deadline until the later of August 31, 2020 or 60 days from the date of distribution.