

CARES Act Legislation

On March 27, 2020 the Coronavirus Aid, Relief and Economic Security (CARES - P.L. 116-136) Act passed the House of Representatives by a voice vote, the President then signed the bill into law. Below is a brief summary of Sections 2202 and 2203 of the Act as it pertains to retirement plans. For the full text of the CARES Act please visit https://en.wikisource.org/wiki/Public_Law_116-136.

Coronavirus-Related Distributions

The CARES Act provides for coronavirus-related distributions for amounts up to \$100,000 from an individual's available vested account balance without regard to the normal withdrawal restrictions. This relief is offered through to December 31, 2020. Eligible retirement accounts include most profit sharing, money purchase, 401(k), 403(b), governmental 457(b) plans and individual retirement accounts (IRAs).

The following individuals are eligible for coronavirus-related distributions:

- You, your spouse, or dependent has been diagnosed with the coronavirus (i.e., SARS-CoV-2 or COVID-19),
- You have experienced adverse financial consequences because you have been quarantined, furloughed, laid off, or have had work hours reduced due to the coronavirus,
- You are unable to work because of a lack of childcare due to the coronavirus,
- You own or operate a business and have had to close or reduce hours due to the coronavirus, or
- You have experienced an adverse financial consequence due to other factors as provided in guidance issued by the Internal Revenue Service.

Plan sponsors are permitted to rely on a certification by individuals that they qualify for their withdrawal under at least one of the above rules.

The 10 percent premature distribution federal penalty tax on early withdrawals is waived for coronavirus-related distributions. Note that the withdrawal may be subject to withdrawal charges under the participant's contract.

Individuals are allowed to repay the distribution back to their plan or account as a tax-free rollover or pay the federal income tax on the distribution ratably over a three-year period.

Coronavirus-Related Loan Relief

The CARES Act provides that eligible participants can take loans up to the lesser of \$100,000 or 100 percent of their available vested account balance. Individuals with outstanding loans with a repayment due from the date of enactment of CARES through to December 31, 2020 may delay loan repayments for up to one year. This relief expires on December 31, 2020. The suspension period is to be added to the original loan term when repayments, including accrued interest, resume, regardless of the length of the loan's original term.

Plan sponsors are permitted to rely on a certification by participants that they qualify for loan relief.

Required Minimum Distributions (RMDs)

The CARES Act provides for a waiver of required minimum distributions due in calendar year 2020 from most defined contribution plans and IRAs.

Plan Amendments

The coronavirus-related distributions and loan relief appear to be optional and subject to plan sponsor approval. Plan sponsors may adopt these provisions immediately. The deadline for amending retirement plans for these changes is the last day of the first plan year beginning on or after January 1, 2022.

MetLife is undertaking a review of the CARES Act legislation and the impact the new rules will have on our solutions and services. If you have any questions, feel free to reach out to your [Relationship Management Team](#).

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