Summary of proposal for adoption and implementation of Coronavirus Aid, Relief and Economic Security (CARES) Act Provisions for UCRS

The CARES Act contains several optional provisions that UC could elect to adopt pertaining to our three defined contribution plans (403(b), 457(b) and DC Plan). The intention of the provisions are to provide economic relief to those impacted by the COVID-19 virus.

These optional provisions would apply to a Qualified Individual, which is defined as a participant who meets any of the following criteria:

- Participant or the spouse or dependent of the participant who is diagnosed with SARS-CoV-2 or COVID-19 with a test approved by the Centers for Disease Control and Prevention (CDC) or,
- Participant experiences adverse financial consequences from being quarantined, furloughed or laid off; having work hours reduced; being unable to work due to lack of child care; closing or reducing the hours of a business owned or operated by the individual; or from other factors, as determined by the Treasury secretary

Plan Administrators can rely on a participant's self-certification of eligibility.

Optional Provisions available under CARES Act:

Coronavirus- related Distributions

- A qualified individual may request one or more distributions up to $100,000 per individual from any qualified plans during the period through 12/31/2020
- Distributions are not subject to early withdrawal penalties if they otherwise would be, nor mandatory income tax withholding
- Qualified individuals have up to three years to repay all or part of their distribution and such repayment will be treated as a trustee to trustee transfer and not subject to annual contribution limits
- Taxes on distributions to qualified individuals can be paid over three years if not repaid

Higher Retirement Plan Loan Limit

- **Current loan limit:** lessor of $50,000 or 50% of vested balances. UC only permits (1) general purpose loan with a 5 year max repayment period and (1) primary resident loan with a max 15 year repayment period permitted any time
- **Temporarily** increases the loan limit to the lessor of $100,000 or 100% of vested balances for qualified individuals
- Temporary loan increase would apply to new loans taken within 180 days of the bill enactment (3/27/2020 through 9/22/2020)

Temporary Suspension of Retirement Plan Loan Payments

- Qualified individuals may defer any new or existing loans repayments due through 12/31/2020 by one year
- Interest will continue to accrue, if applicable
- Deferred repayments will not count towards 5 year maximum repayment period

Proposed Recommendations:

- Adopt coronavirus related distributions in all three of UC's defined contributions plans (403(b), 457(b) and DC Plan)
- Adopt temporary increase in loan limits in the UC Tax-Deferred 403(b) Plan and allow a member, who has paid off an existing loan within the last 12 months, to receive a new loan under the CARES Act provisions
- Adopt allowance to suspend new and existing loan repayments through December 31, 2020 in the UC Tax-Deferred 403(b) plan
- **Note:** Allowing additional loans or expanding loan provisions to the 457(b) Deferred Compensation or DC plans is not operationally or administratively feasible at this time. Members without 403(b) plans can take CARES Act distributions per above.

Requirements to adopt:

- Regents must approve adoption of these provisions. Request for approval through Interim Authority is currently underway.
- Fidelity is able to support this adoption as soon as possible after Regental approval for all three RSP plans. Possibly as soon as May 1st.
- Plan amendment changes are not required to be completed until 2024 but UC will work to amend the Plan documents as soon as possible.
- Communication to participants of the available provisions will be needed. Fidelity is already receiving participant requests.

Required Provisions available under CARES Act:

Minimum Required Distributions suspended for 2020

- Participants whose Required Beginning Date (RBD) is in 2020 will be deferred until 2021
- Participants who are already receiving MRDs will not be required to take an MRD distribution in 2020

Requirements to adopt:

- As this is a required provision, a Compliance Amendment to the 403(b), 457(b) and DC Plan signed by the Plan Administrator is needed
- UC will work with Fidelity to implement and communicate to affected participants

Additional Optional Provisions as allowed under Internal Revenue Code:

Allow in service distributions from the DC Plan and 457(b) for individuals who are 59 ½ or older

- This is not a CARES Act provision, but, became allowable following the passage of the Bipartisan American Miners Act of 2019
- Currently, UC only allows in service distributions as follows:
  - **403(b):** Age 59.5 or later, or due to qualified hardship
  - **457(b):** Age 70.5 or later, or due to qualified unforeseen emergency
  - **DC Plan Aftertax:** Anytime
  - **DC Plan (All pretax plans):** Not Allowed.
- Adding in service distributions to the DC Plan pretax plans and 457(b) would align UC's retirement savings plans to the same rule.
- This was going to be included with other plan provision changes at September Regents regarding adoption of QLAC.

Requirements to adopt:

- Regents must approve adoption of this provision for the 457(b) and DC plan.
- Fidelity is able to support this and would be implemented as soon as operationally feasible (possibly October 1st).
- Plan amendment changes will be required and completed.
- Communication to participants of the changes and summary plan document changes will be needed.