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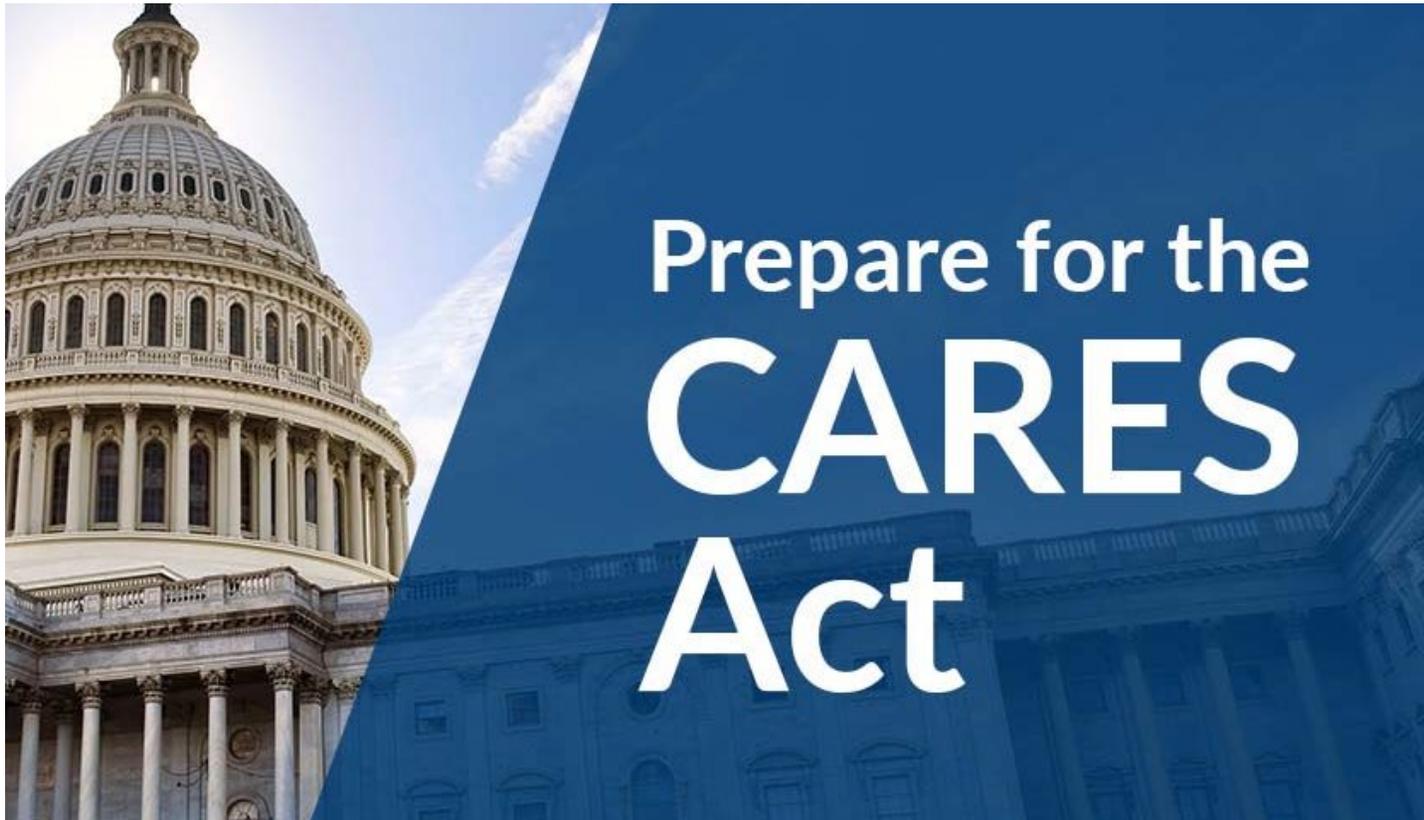
CARES ACT UPDATE

April 21, 2020

Category: COVID 19

Please read the following update regarding the recently passed CARES act and the potential impact on your retirement plan options.

What is the CARES Act?

The Coronavirus Aid, Relief and Economic Security Act (CARES Act) recently passed to help provide relief to those facing financial hardship caused by the COVID-19 pandemic. The CARES Act includes provisions that affect retirement plans for qualified individuals. Among these provisions are tax-favored coronavirus-related distributions (CRDs) up to $100,000 until December 31, 2020 and a waiver of

2020

Required Minimum Distributions (RMDs). For members of City of Baltimore plans, these provisions only apply to the 457(b) Deferred Compensation Plan (DCP).

How does the CARES Act affect me?

CORONAVIRUS-RELATED DISTRIBUTION (CRD)

Participants in the City of Baltimore Deferred Compensation Plan (DCP) may be eligible to receive plan distributions if those participants can self-certify that they:

(1) have been diagnosed with SARS-CoV-2 or COVID-19 by a test approved by the Centers for Disease Control (CDC);
(2) have a spouse or dependent who has been diagnosed using such tests; or
(3) have experienced adverse financial consequences as a result of being quarantined, furloughed, laid off, suffering reduced work hours or are unable to work due to lack of child care.

Deferred Compensation Plan participants are able to take COVID-19 distributions of up to a total sum of $100,000 anytime through December 31, 2020. There is no requirement that the amount of the coronavirus-related distribution be limited to the amount of the qualified individual's actual financial needs. Participants may take coronavirus distributions at multiple times anytime during calendar year 2020. Please make note of the following information with regard to CRDs.

- COVID-19 withdrawals will not be subject to the 10% early withdrawal tax or the normal mandatory 20% federal income tax withholding on distributions.

- COVID-19 distribution can be repaid in full or partially back into the DCP at any time within 3 years of the date of the distribution.

- Any distribution amounts that are repaid are not subject to taxation.

- If distribution amounts are not repaid, the unrepaid amount will need to be included in income.

- Individuals may pay taxes on the COVID-19 distributions over a three-year period.

Withdrawing money from a retirement account can have a significant impact on future retirement savings as you will lose out on the compound growth from any funds you withdraw. Please think carefully and seek advice prior to withdrawing funds. Absent an urgent need, participants may want to rely on emergency savings to the extent available, and remain focused on their long term-financial goals.

REQUIRED MINIMUM DISTRIBUTION (RMD)

For retirees, the law suspends in 2020 the required minimum distributions (RMDs) that account holders must take from certain retirement plans starting at either age 70 1/2 or 72 (for those who turned 70 on July 1, 2019, or later). This provision provides relief to those who would otherwise be required to withdraw funds from their retirement accounts during the stock market decline linked to COVID-19. In general, the RMD will not apply for 2020.

How do I apply or learn more?

If you would like to learn more about these provisions, please contact a Nationwide Retirement Specialist or Deferred Compensation Plan representative. To submit a Coronavirus-Related Distribution request, you must speak to a DCP representative and fill out a CRD request form. The representative will be able to provide you with the request form, answer any questions that you have, and guide you through the process.

For assistance, please call **Bryant Mayes at 443-907-8858** or **Heather Gayle at 443-707-0129**. Participants can also call the local Deferred Compensation Plan office at **(443) 984-2389**.

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