Community HealthCare System
NE Kansas

Coronavirus Aid, Relief and Economic Security (CARES) Act Provisions affecting retirement plans

Anyone who participates in the Community HealthCare System (CHCS) Retirement Plan has some options available as a result of the CARES Act. The options are outlined below.

1. **In-service coronavirus-related distributions from a participant's vested account balance without regard to the normal withdrawal restrictions.** This relief is offered through December 31, 2020.
   - These distributions are subject to the following requirements:
     - Limited to $100,000 per tax year, aggregated across all plans of the employer or controlled group.
     - Not subject to 20% mandatory tax withholding upon distribution.
     - Exempt from 10% early withdrawal penalty generally applicable to distributions made to participants who are 59-1/2 or younger.
     - Eligible to be indirectly rolled into an IRA or employer plan within 3 years from the date the distribution is taken.
     - Amounts not indirectly rolled into an IRA or employer plan are included in gross taxable income, ratably, over 3 tax years (beginning with the tax year of the distribution), unless the participant elects to include all amounts in a single tax year.
   - Coronavirus distributions are available to eligible participants who:
     - Are diagnosed with a Coronavirus (COVID-19 or SARS-COV-2) illness
     - Have a spouse or dependent diagnosed with a coronavirus illness.
     - Experience "adverse financial consequences" as a result of a quarantine, furlough, layoff, reduction in work hours, business closure, the lack of child care, or other factors determined by the IRS due to coronavirus emergency.
   - A plan administrator may rely on a participant's certification of the above.
2. **Loans: Two types of loan relief are also provided.**
   - Plan may allow eligible participants, as defined above, to take loans up to the lesser of $100,000 or 100% of the participant's vested account balance for the specified period.
   - Upon the request of an eligible participant, plan sponsors must suspend loan repayments due on outstanding loans that are in good order for a period of up to 12 months. 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.

3. **Qualified 401(a)/(k), 403(b), and governmental 457(b) plans will not be required to make any required minimum distribution, or RMD, payments for 2020**; specifically:
    - Participants who turned age 70½ prior to 2019 will not be required to receive an ongoing RMD for 2020.
    - Participants who turned age 70½ in 2019 and who did not receive their first RMD for 2019 on or before January 1, 2020 will not have to receive their first (2019) RMD or their 2020 RMD.
    - Beneficiaries receiving life expectancy payments will not be required to receive their 2020 beneficiary RMD.
    - Beneficiaries who have an account balance in the plan subject to the five-year distribution rule may extend their required distribution by one year (full distribution of the account must be made by the 6th anniversary of the participant's death).
    - If a 2020 RMD is provided to any of the above, it may be rolled over to an IRA or employer plan. A participant's RMD or beneficiary's life expectancy RMD for 2021 will need to be paid.

For more information on the CARES act or how you can utilize one of these benefits, contact CHCS's financial advisor, Mike Curran, at Two West. You can reach Mike by email at mike@twowestadvisors.com or by phone at 913-647-8376.

If you would schedule an appointment to talk to a Two West financial advisor, please click here. Your appointment will be with either Mike Curran or Dan Kitts, depending on the time you choose.