



## Human Resources – Benefits Division

*City of Arts & Innovation*

### **Coronavirus Aid, Relief and Economic Security (CARES) Act and Deferred Compensation 457 Plan**

The CARES Act was signed into law on March 27, 2020 and it includes optional retirement plan provisions employers can implement related to in-service distributions, increase in loan amounts, loan payment suspension and Required Minimum Distributions (RMDs). The City of Riverside has elected to extend these special provisions related to the deferred compensation 457 plan to all City benefited employees; the provisions deadlines vary, please review the details provided in this document.

#### The CARES Act provides relief for a “qualified” participant:

- who is diagnosed with COVID-19; or
- whose spouse or dependent is diagnosed with COVID-19; or
- who experiences adverse financial consequences as a result of being quarantined, furloughed, or laid off; having work hours reduced; being unable to work due to lack of child care due to COVID-19; or meeting other factors as determined by the Secretary of the Treasury or delegate. This requirement applies to the participant only.

Participants will be required to self-certify that they meet at least one of the eligibility criteria.

#### Coronavirus-Related Distribution (CRD) – available through December 31, 2020:

- Code Section 72(t), which applies an additional 10% tax on early withdrawals, is waived for withdrawals up to \$100,000 across all retirement plans or IRAs for a qualified participant.
- Those individuals may prorate the payment of applicable taxes on the income from the withdrawal over a three-year period.
- The withdrawal amount may be paid tax-free back to the plan over the next three years.
- Repayments of these withdrawals would not be subject to the retirement plan contribution limits. Repayment is optional.

#### Loan Relief Provisions:

- Qualified participants may delay the due date for a current or new loan repayments due between March 27, 2020, and December 31, 2020, for up to one year and extend the maximum five-year repayment period accordingly. At the end of suspension period, loan is re-amortized and end date of loan is recalculated.

- May take a new loan from March 27, 2020 through September 23, 2020. Plan loan limits are increased to the lesser of \$100,000 or 100% of the qualified participant's vested account balance in the plan. Loan initiation fees will be waived through September 23, 2020.
- Participants must request the option to delay current loan deduction before employer can stop payroll repayments.

#### How to submit a CARES Act request

Employees who meet the eligibility requirements may submit a request for any of the provisions above directly with ICMA-RC via their online employee portal at: <https://www.icmarc.org/riversideca.html>.

You can contact ICMA-RC via phone at 800-669-7400 for any questions. You can also contact Ruben Diaz at 888-883-8577 or [rdiaz@icmarc.org](mailto:rdiaz@icmarc.org) or Ryan Carpenter at 866-838-9365 or [rcarpenter@icmarc.org](mailto:rcarpenter@icmarc.org). For additional resources, please visit [www.icmarc.org/resourcecenter.html](http://www.icmarc.org/resourcecenter.html)

**Important Note: All participants are advised to speak with a tax or financial advisor prior to taking a Coronavirus-Related Distribution.**