



CARES Act Provisions Affecting Retirement Plans

As a participant in The City University of New York Optional Retirement Plan (“ORP” a 401(a) plan), the frozen Optional Retirement Plan (a 403(b) plan) and/or the Tax Deferred Annuity Plan (“TDA” also a 403(b) plan), we want to make you aware of the options available to you as a result of the Coronavirus Aid, Relief and Economic Security (CARES) Act. The information below will apply to the following plans: ORP, the frozen ORP, and the TDA Plan.

The CARES Act allows retirement plan participants to have greater access to their savings if they are impacted by the coronavirus. The City University of New York (CUNY) has chosen to adopt provisions of the CARES Act to the ORP, frozen ORP, and TDA Plan.

These enhancements provide options for you to consider as you navigate financial decisions in the coming months. As always, we recommend reaching out to your financial consultant to review your current situation, along with your short-term and long-term financial goals, before making any decisions.

What does this mean for you?

We know that keeping you and your family healthy and safe amid the challenges surrounding COVID-19 needs to be your first priority. That’s why we’re working with our retirement plan partners to simplify the provisions in the Act to make them easier to understand so you can determine if they may be right for you.

CARES Act Provisions

CUNY has chosen to adopt the following CARES Act (“Act”) provisions for the ORP, frozen ORP, and TDA Plan

- Tax penalties and withholding are waived for certain COVID-19-related distributions from retirement plan accounts. Note: The ORP, frozen ORP, and TDA Plan have different legal limitations as to who is eligible.
- Temporarily increase personal loan amount limits for loans made within 180 days of the enactment of the CARES Act on March 27, to double the current maximum amount to the lesser of \$100,000 or 100% of your vested account balance (some contractual limitations may apply).
- Ability to suspend loan repayments for up to 1 year for certain COVID-19-related reasons.
- Suspension of required minimum distributions (RMDs) for 2020 for all plan participants who are scheduled to receive such distributions (not just those affected by COVID-19).

Retirement plan withdrawals and loans

Who is eligible?

You are eligible to take distributions/suspend loan repayments from your retirement plan if any of the below conditions are met:

- You have been diagnosed with COVID-19 by a test approved by the Centers for Disease Control and Prevention;
- You have a spouse or dependent who has been diagnosed with COVID-19;
- You suffer financial consequences as a result of quarantine, employment furlough, layoffs, reduced work hours, or cannot work due to lack of childcare as a result of coronavirus;
- You experience a financial loss to an individually owned or operated business that is caused by a closing or reduction of hours due to coronavirus; or
- You experience other factors as determined by the Secretary of the Treasury or his delegate (as of now, there are no additional factors that have been determined)

If you choose to take advantage of the new CARES Act relief, you will be asked to self-certify that you meet one of the requirements listed above.

How can the Act help if you are eligible?

- **Penalties and withholding are waived for qualified distributions from retirement plan accounts**

Provided the above eligibility criteria are met, the CARES Act waives the 10% early withdrawal penalty for distributions taken prior to the age of 59 ½ and eliminates the 20% withholding for COVID-19 related distributions of up to \$100,000 total across all of your retirement plans with all employers, and IRAs. *Note: While the 20% withholding will not be taken from distributions, you will have the option to add withholding if you want.*

Eligibility for qualified distributions varies by plan

- **TDA Plan and Frozen ORP:** Applicable for all ages
- **ORP:** Only for individuals age 59 ½ or older – *Note: TIAA is currently working to update their system to allow for this functionality. Contact TIAA at the number below for status updates.*

Distributions will still be subject to taxation as ordinary income, and you will have the option to pay taxes due over a three-year period. We suggest you consult with your personal tax advisor regarding such a distribution and its tax consequence to you as an individual.

The Act also allows you to reinvest withdrawn funds within three years regardless of that year's contribution limit, making it easier to replace the amount of your distribution in your retirement account.

- **Temporary Increase Loan Limits for Qualifying Individuals**

Provided the above eligibility criteria are met, the CARES Act increases loan limits for loans made within 180 days of enactment of the CARES Act of up to double the current maximum in place, to the lesser of \$100,000 or 100% of your vested account balance in the plan (current limit, which is the maximum allowed by law, is \$50,000 or 50%). Note that the loan limit will still be reduced by the highest outstanding loan balance over the prior year and may be limited by the terms of the funding vehicle.

- **Suspension of Loan Repayments**

Provided the above eligibility criteria are met, individuals with loans in effect on or after the CARES Act enactment date of March 27, 2020, can delay repayment or any loan payments due between March 27, 2020 and December 31st, 2020 for one year, with the term of the loan being extended by one year as well. If you elect to delay such payments, you will resume loan repayments with your scheduled payment due in January of 2021. It is also important to note that if you delay payment, outstanding interest will continue to accrue and be added to your outstanding loan balance as of January 2021.

Contact TIAA, Brighthouse, Halliday, or MetLife if you have questions related to taking a loan or the possibility of deferring payments to an existing retirement plan loan. Contact information is provided at the end of this communication.

For retirement plan distributions and loans, you may be able to set up electronic funds transfer (EFT) for faster delivery of funds (ask your vendor for more information).

Suspension of required minimum distributions (RMDs)

To help provide relief for those required to take RMDs, the CARES Act allows you to cancel your 2020 RMD payments and restart them in 2021.

- *If you already have an RMD payment scheduled for this year:*

You may have the flexibility to cancel it and restart it in 2021.

Please note: established RMD payments that are scheduled may continue unless you take action to cancel these payments by contacting your vendor, as provided below.

- *If you have already started receiving your RMD this year*

You have the option to repay the RMD as a rollover. If you've received a distribution on or after February 1st, 2020, you have until July 15th to repay those funds to the applicable retirement plan or roll over those funds into a plan/IRA that accepts such rollovers. There has yet to be any IRS guidance issued as to RMDs that took place in January of 2020; however, in past disaster scenarios, the IRS has extended that rollover period. We will share any updates that may arise in the future. Also, if you meet the conditions for a COVID-19 distribution as described above, you may classify this distribution as a COVID-19 distribution, subject to the same favorable tax treatment described above, which means you have three years to repay those funds to the ORP, frozen ORP, or TDA plan, or roll over those funds into a plan/IRA that accepts such rollovers.

- *If you have not set up your RMD this year:*

Based on the CARES Act, TIAA, Brighthouse, Halliday, or MetLife may not be able to set up new RMD payments. If you still need the money, you can take a withdrawal.

Contact your vendor if you have questions related to suspensions of your required minimum distributions (RMDs).

Other changes to consider:

- **Tax filing and payment changes**
The Treasury has extended federal tax filing deadlines. The federal deadline for filing a 2019 tax return has been extended to July 15, 2020.
- **Student loans and stimulus payments**
Borrowers who have certain federal student loans have the opportunity to defer payments until later in the year, and qualified taxpayers meeting specific single/joint filing criteria may be eligible to receive stimulus payments. Please consult your personal tax advisor or your loan provider for additional information.

Next steps:

If you meet the eligibility criteria detailed above, would like to speak to a financial consultant, or would like to request loans or distributions, you can do so by contacting your specific vendor.

- **TIAA**
Phone: 800-842-2252 or www.tiaa.org
- **Brighthouse**
Phone: 800-842-9406
- **Halliday Financial**
Phone: 800-786-1598
- **MetLife**
Phone: 800-560-5001

We understand you may need to take advantage of these options, which is why CUNY made the important decision to offer them. However, we ask you to keep this in mind: taking a loan or withdrawal now can impact your ability to retire at the age you expected, so it should only be considered as a last resort. We recommend reviewing all of your options prior to making a decision.

If you are having difficulty contacting your retirement plan vendor or have any other questions, please contact the University Benefits Office by phone at 646-664-2420 or email UniversityBenefits@cuny.edu.