

May 2020

Subject: CARES Act Provisions Affecting Penn State’s Retirement Plans

As a participant in The Pennsylvania State University’s Retirement Program, 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: Alternate Retirement Plan (ARP), Tax Deferred Annuity Plan (TDA), and 457 Deferred Compensation Plan.

The CARES Act was signed into law by the President on March 27, 2020 and provides options for you to consider as you navigate financial decisions in the coming months. As always, we recommend reaching out to your TIAA financial consultant to review your current situation—along with short- and long-term financial goals—before making any decisions.

The Pennsylvania State University has chosen to adopt the following CARES Act provisions for our retirement plan(s):

- Penalties and withholding are waived for certain COVID-19-related distributions from retirement plan accounts
- 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)

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 at TIAA to break down the provisions in the CARES Act to make them easier to understand so you can determine if they may be right for you.

Retirement plan withdrawals and loans

Who is eligible?

You are considered 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 from 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 COVID-19

- You experience a financial loss to an individually owned or operated business that is caused by a closing or reduction of hours due to COVID-19
- 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)

How can the CARES 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 (note that this penalty does NOT apply to the 457(b) plan) 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 automatically taken from distributions, you will have the option to add withholding if you want.

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 consequences to you as an individual.

You will also be allowed 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. If you do so, we suggest you consult with your personal tax advisor regarding prior taxes you may have paid.

- **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, interest will continue to accrue and be added to your outstanding loan balance as of January of 2021.

Visit [TIAA.org](https://www.tiaa.org) or call TIAA at **855-400-4294** if you have questions related to taking a loan or the possibility of deferring payments to an existing retirement plan loan.

For retirement plan distributions and loans, TIAA encourages you to set up electronic funds transfer (EFT) for faster delivery of funds.

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.



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- *If you already have an RMD payment scheduled for this year:*
You have the flexibility to cancel it, and TIAA will restart it automatically in 2021. Please note, established RMD payments that are scheduled will continue unless a participant takes action to cancel these payments by contacting TIAA as provided below.
- *If you have already started receiving your RMD this year:*
You have the option to repay it 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 Penn State Program or roll over those funds into a plan/IRA that accepts such rollovers. There has yet to be any guidance issued as to RMDs that took place in January of 2020; however, in past disaster scenarios, the IRS has extended that rollover period. TIAA will monitor regulatory activity and notify clients if an extension is granted in this context. 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 Penn State Program, 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 cannot set up new RMD payments. If you still need the money, you can take a withdrawal. The quickest way to set that up is through the TIAA website; be sure to set up an EFT.

Visit [TIAA.org](https://www.tiaa.org) or call TIAA at **855-400-4294** if you have questions related to suspensions of your required minimum distributions (RMDs).

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 logging in to your online account at [TIAA.org](https://www.tiaa.org) or calling TIAA at **855-400-4294**. You can also visit [TIAA.org/psu](https://www.tiaa.org/psu) for more information on the provisions of the CARES Act and other changes to consider. We recommend reviewing all of your options prior to making a decision.

Stay safe and healthy.

Best regards,

Gregory D. Stoner
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