

**Hood College Defined Contribution Retirement Plan Defined Contribution Retirement Plan
CARES Act Participant Notice**

Congress recently passed the Coronavirus Aid, Relief and Economic Security Act (CARES Act) which provides expanded access to retirement plan accounts in order to help ease some of the financial pressures facing Americans in the wake of the coronavirus crises. The purpose of this notice is to explain to you what has (temporarily) changed regarding our plan.

Qualified Individual. Some changes only affect what the CARES Act calls “Qualified Individuals”. You are a Qualified Individual if:

1. You, your spouse or one of your dependents is diagnosed with COVID-19; or
2. Due to the Coronavirus crises, you have experienced adverse financial consequences as a result of you being:
 - a. instructed to quarantine;
 - b. furloughed, laid off or had your work hours reduced with us or another job (even if it’s for a company you own); or
 - c. unable to work due to lack of child care.

If you are a Qualified Individual and you elect to take advantage of one or more of the temporary changes described below, we will rely on your certification that you meet at least one of the above conditions, but you will not be asked which.

Distributions. Qualified Individuals may withdraw up to \$100,000 until December 30, 2020. This is a new type of distribution permitted by the plan, called a *Coronavirus Related Distribution* (CRD), with its own unique set of rules.

There is no minimum age to qualify and the 10% early withdrawal penalty for participants under age 59 ½ does not apply. There is no limit to the number of CRDs a Qualified Individual can receive, however the grand total of all CRDs from this plan, other employer plans, and IRAs that the Qualified Individual receives may not exceed \$100,000.

Although CRDs can be partially or totally rolled over (to an employer plan or IRA) to defer the taxation, they are not subject to the mandatory 20% federal withholding that applies to some other types of distributions if not directly rolled over. (However 10% federal withholding may be elected.)

The federal income tax on a CRD that is not rolled over can all be paid for 2020, or may be divided equally over three years (one-third for each of 2020, 2021 and 2022). Furthermore, instead of having the normal 60 day period to repay a distribution to defer the taxes, the Qualified Individual has three years after a CRD is received to repay the money to any plan that accepts rollovers, including back into the plan from which it came.

Participant Loans. Between now and September 23, 2020 a loan to a Qualified Individual may be as high as the lesser of \$100,000 or 100% of vested account balance. All other regular loan limits apply. Please see the Participant Loan Program/Policy for more information.

Furthermore, a Qualified Individual may elect to delay all scheduled plan loan repayments that would have been due between now and December 31, 2020, for up to a year and the extra time is not counted against the five year loan term limit rule, if applicable. We are still awaiting clarification from the government

regarding the timing of resuming loan payments. Interest will continue to accrue during this period, so the outstanding balance will be re-amortized upon repayment resumption.

Required Minimum Distributions (RMDs). RMDs are annual payments from a plan, generally to former employees who attained age 70 ½ before 2020 or 72 after 2019. The CARES Act waives all 2020 RMDs from 401(k), 403(b) and similar plans, but the Act has left it up to each employer to determine its own course of action concerning payment of these amounts. This applies to all 2020 RMDs, not just to Qualified Individuals. Further, “2020 RMDs” includes 2019 RMDs for which the participant deferred from 2019 to 2020 (by 4/1/20) as well as 2020 RMDs which may be deferred from 2020 to 2021 (by 4/1/21).

If you are someone who began receiving RMDs from our plan prior to 2020, you must decide for yourself about whether to receive a payment equal to your 2020 RMD. Likewise, if you are someone who would have received an RMD for the first time from our plan in 2020, you must decide for yourself about whether to receive a payment equal to your 2020 RMD.

Any 2020 RMD that has already been received or will be received may be rolled over (including back into our plan) to defer taxation, within the regular 60-day rollover period. Qualified Individuals may treat a 2020 RMD that’s received as a CRD, and therefore have up to three years to roll it over or pay the federal income tax.

Please note that **Hood College** cannot provide you with tax advice. We therefore urge you to speak with a tax professional before making any decisions regarding the above temporary rules which apply to you. For more information or to elect one of these options, please contact:

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