

DCP and The CARES Act and COVID-19

On March 27, 2020 the CARES (Coronavirus Aid, Relief, and Economic Security) Act was signed into law to address economic impacts associated with COVID-19.

The Plan has implemented the following provisions to assist participants.

1. Coronavirus-Related Distribution

A coronavirus-related distribution is a distribution(s) (multiple amount-certain distributions, if requested) of up to \$100,000 for a taxable year made from the 457 Plan, 401(k) Plan, 401(a) Plan or NYCE IRA on or after January 1, 2020, and before December 31, 2020, to a qualified individual.

A "qualified individual" is an individual who:

- was diagnosed with COVID-19 by a test approved by the Centers for Disease Control and Prevention, or
- has a spouse or dependent that was diagnosed with COVID-19 by a test approved by the Centers for Disease Control and Prevention, or
- experienced adverse financial consequences as a result of (i) being quarantined, furloughed or laid off or having work hours reduced due to COVID-19, (ii) being unable to work due to lack of child care due to COVID-19.

The Plan will rely on the participant's certification that one of the above conditions is satisfied in determining whether a distribution is a coronavirus-related distribution.

QUESTIONS?

View the pros and cons of taking a Coronavirus-Related Distribution

[View Chart](#)

Contact Us

Contact one of the Plan's Financial Planners to discuss the pros and cons in more detail.

Send a message to:

dcp_financial_planning@nyceplans.org

Call us at:

(212)306-5050 Monday through Friday 9AM – 5PM

A coronavirus-related distribution from the 401(k) and 401(a) is not subject to the 10% federal early withdrawal penalty tax.

The distribution will be subject to applicable ordinary federal, state and local income tax. A coronavirus-related distribution is not an eligible rollover distribution, subject to mandatory 20% federal tax withholding. Therefore, the Plan will withhold 10% for federal taxes, unless the participant elects otherwise. The federal income tax on the distribution may be apportioned over a three-year period. Participants are advised to speak with their tax consultant about how this distribution will affect their individual taxes.

A participant who receives a coronavirus-related distribution may repay the distribution in one or more contributions within three years of the distribution. Repayments will be treated as rollover contributions.

Complete the special [Coronavirus-Related Participant Distribution Form](#) if you meet the requirements and wish to take a distribution.

2. Loans

The CARES Act increases the loan limits for any loan made from the 457 Plan or the 401(k) Plan to a **qualified individual** during the 180-day period beginning on March 27, 2020 to on or about September 28, 2020. The Act increases the maximum loan amount to \$100,000 (currently \$50,000) and permits loans of 100% (currently 50%) of the present value of the participant's account.

Complete the special [Coronavirus-Related Loan Request Form](#) if you meet the requirements to take a loan.

The CARES Act allows a qualified individual with an outstanding loan from the 457 Plan or 401(k) Plan to extend the due date for any loan repayments that occur during the period March 27, 2020 - December 31, 2020. The due date for the repayment can be delayed one year. Any subsequent repayments of the loan will be adjusted to reflect the delayed repayment due date and any interest accruing during such delay. As a result, the expiration of the loan will be extended for one year. Plan loans can extend beyond the five year term limit.

Complete the special [Coronavirus-Related Outstanding Loan Repayment and Extension Form](#) if you meet the requirements and wish to suspend your current loan repayments and extend the due date.

3. Waiver of 2020 Required Minimum Distributions (RMDs)

The CARES Act waives RMDs for participants and beneficiaries for calendar year 2020 for the 457 Plan, 401(k) Plan, 401(a) Plan and the NYCE IRA. The waiver applies to the 2020 RMD and the 2019 RMD (grace period RMD) required to be paid by April 1, 2020.

The participant does not have to be a qualified individual in order to waive their RMD.

Using the DCP RMD Waiver Form, participants may indicate that they choose to reduce their scheduled RMD payments in the 457 Plan, 401(k) Plan and/or NYCE IRA to \$0 for 2020. The participant must return the signed form to the Plan at least fifteen (15) days prior to the payment date for the RMD to be canceled. For those that waive their RMD payments in 2020, RMD scheduled payments will resume in 2021. Participants who do not submit an RMD Waiver Form will receive their scheduled payments.

The participant does not have to be eligible for a coronavirus-related distribution in order to waive their RMD.

A distribution taken in 2020 that would have been a 2020 RMD distribution, if not for the waiver, can be rolled over in accordance with the 60-day rule and is not subject to the 20% mandatory withholding. The money can be rolled back into the plan from which it was taken from or into the NYCE IRA.

Complete the special [Coronavirus-Related RMD Waiver Form](#) if you wish to waive your 2020 RMD payment(s).

4. Hardship

FEMA has declared several states (such as New York, Illinois, New Jersey, Texas, Florida, California, Washington State, and Louisiana) to be major disaster areas eligible for individual assistance due to the COVID-19 pandemic.

This declaration deems Plan participants residing or working in these states eligible to take a hardship distribution from the 457 Plan and/or the 401(k) Plan for losses and expenses, including loss of income, related to COVID-19. Supporting documentation is required to be submitted with all hardship requests.

[457 Hardship Application](#)

[401\(k\) Hardship Application](#)

Pros and cons of taking a Coronavirus-Related Distribution

Coronavirus-Related Distributions		
<i>Categories</i>	<i>Pros</i>	<i>Cons</i>
Distribution Rules:	<ul style="list-style-type: none"> • Qualified individual (active or severed from City service) is able to withdraw up to \$100,000 across all Plans through December 31, 2020. • Qualified individual is responsible for self-certifying to the Plan that more than \$100,000 across all plans was not withdrawn during calendar year 2020, no other documentation is needed. 	<ul style="list-style-type: none"> • If the participant incorrectly self-certifies that more than \$100,000 was not withdrawn across all accounts, then the participant may be subject to an IRS audit.
Taxes	<ul style="list-style-type: none"> • 10% early withdrawal penalty will not apply. • This distribution would not be treated as an eligible rollover distribution. Therefore, 20% mandatory withholding would not apply. • Qualified individual is allowed to include distribution amount in gross income ratably over a period of 3 years, beginning with 2020, unless the participant elects otherwise. The Plan will issue a 1099-R in the tax year of the distribution. The participant may include 1/3 of the income in each year or include 100% in 2020. The individual will be required to report and pay income tax on the distribution reported in each year (if the individual is spreading the distribution over 3 years). 	<ul style="list-style-type: none"> • 10% withholding will apply, unless the participant elects out of withholding.
Repayment Options	<ul style="list-style-type: none"> • Participants may repay all, some, or none of the distribution in one or more contributions within three years of the distribution. • Participant repays distribution by sending a check to the Plan, (minimum \$100). Repayment is not subject to interest. • If the participant repays any amount of the distribution, the repayment will be treated for tax purposes as a direct rollover (or, if made to an IRA, as a trustee-to-trustee transfer) made within 60 days of distribution. If the reporting of the withdrawal and repayment occur in the same tax year, the repayment is reported as a rollover and there is no tax effect. However, if the withdrawal was already reported (or partially reported) in a previous tax year, then the participant should receive a credit. Therefore, if the participant 	

	repays the distribution then funds shall be returned to the Plan as pre-tax.	
457/401(k) Coronavirus-Related Plan Loans		
<i>Categories</i>	<i>Pros</i>	<i>Cons</i>
<p>Loan Rules: From each Plan (457 and 401(k)), a participant may have up to two loans outstanding at any time. To qualify for the second loan from the same Plan, repayments on the previous loan must be in good standing and loans must be issued at least 12 months apart.</p>	<ul style="list-style-type: none"> • From March 27, 2020 through September 27, 2020, qualified individual is able to take a loan of up to \$100,000 across all Plans. • Participant may take loan up to 100% of participant's account value. • Commencement of loan repayment is delayed for one year 	<ul style="list-style-type: none"> • If the participant incorrectly self-certifies as to their status as a qualified individual, the participant may be subject to an IRS audit. • Loan repayment, via payroll deductions of interest and principal, must begin in one year from date of loan origination.
<p>Outstanding Loan Repayments and Extensions:</p>	<ul style="list-style-type: none"> • For any loan repayments that are due from March 27, 2020 through December 31, 2020, qualified individuals may request that those repayments are delayed by one year and the expiration date of the loan can be extended for one year. • The CARES Act does not impact default, offset or termination upon severance Plan loan procedures. 	<ul style="list-style-type: none"> • If the participant incorrectly self-certifies as to their status as a qualified individual, the participant may be subject to an IRS audit. • Loan may need to be re-amortized, resulting in accrued interest.
Required Minimum Distribution (RMD) Waiver		
<i>Categories</i>	<i>Pros</i>	<i>Cons</i>
<p>Plan Participants scheduled to receive an RMD in 2020 will receive a letter from the Plan, along with an RMD Waiver Form</p>	<ul style="list-style-type: none"> • For the Grace 2019 RMD, due April 1, 2020 and 2020 RMD payments, participants have the option to reduce their RMD payments to \$0 by timely returning the RMD Waiver Form to the Plan. • The waiver applies to RMDs which have not been paid yet. However, the participant may be able to treat the RMD that has been already issued as an indirect rollover and roll over the amount to an eligible retirement plan, such as an IRA. • Participants who do not submit the RMD Waiver Form will receive their scheduled 2020 RMD payments. • For those participants who waive their RMD payments in 2020, RMD scheduled payments will automatically resume in 2021. 	

Have further questions? Speak with one of the Plan's Financial Planners to discuss the pros and cons of taking a Coronavirus-Related distribution in more detail.

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