

The CARES Act

This is new information for participants in the Butler University 403(b) Retirement Plan. The Coronavirus Aid, Relief, and Economic Security (“CARES”) Act was recently passed by Congress and signed by the President. It contains numerous provisions seeking to expand and modify retirement plan provisions, in large part to allow participants to access their Plan savings to help them get through the financial challenges associated with the current coronavirus pandemic.

Butler University and the 403(b) Retirement Plan’s Advisory Committee (“Committee”) wanted to share a summary of the changes, their potential impacts to you, and to provide contact information in the event you have any questions. Please carefully consider how these short-term options may impact both your short-term financial needs AND your long-term retirement savings goals.

What are the new options available under the CARES Act?

There are three aspects of the CARES Act that potentially impact you as a Plan participant. These are discussed further here.

Coronavirus-related distributions (“CRD”)

CRDs may be taken in an amount up to \$100,000 through December 31, 2020, for participants who meet at least one of the following criteria:

1. Participant, or spouse or dependent, are diagnosed with COVID-19 through a CDC-approved test
2. Participant experiences adverse financial consequences related to a variety of reasons including, but not limited to:
 - Being quarantined
 - Being furloughed, laid off, or having work hours reduced as a result of the virus or disease
 - Being unable to work due to lack of childcare due to the COVID-19 virus

NOTE: The Plan can rely on the participant’s certification of satisfying one of the qualifying events.

Rules related to coronavirus-related distributions include:

1. Participant is limited to \$100,000 in distributions from all of their retirement plans and IRAs in the aggregate
2. Distributions will be included in the participant's taxable income ratably over a 3-year period, unless the participant elects immediate taxation
3. Distributions are not subject to 10% early distribution tax regardless of the participant's age
4. Distributions are not subject to 20% tax withholding
5. Distributions cannot be rolled over to another eligible retirement plan or IRA
6. At their election, participants have up to 3 years to repay the distribution amount through contributions to any retirement plan or IRA and avoid the income taxation.

Coronavirus-related loans ("CRL")

CRLs from the Plan are available for participants who satisfy a "coronavirus-related distribution" event (see list under CRDs above). Loans must be made within 180 days of enactment of the CARES Act, which means CRLs would have to be taken by September 23, 2020. The current loan limits of the lesser of \$50,000 or 50% of your vested account balance are increased to the lesser of \$100,000 or 100% of your vested account balance. Further, the general 5-year limit on loan duration may be extended by 1 year, while the limit on principal residence loan periods may be also extended by 1 year.

CRL repayments will not begin until 2021. For any loan currently outstanding, the due date of any repayment due in 2020 may be extended by 1 year. Subsequent loan repayments must be adjusted to reflect the extended due dates and interest accruing during that extended period.

The Plan's other loan requirements, such as the contribution sources available for loans and the maximum number of loans available, still apply.

Temporary waiver of required minimum distributions ("RMD")

RMDs from participant accounts are waived for 2020 only. This means participants will not have to take an RMD during the 2020 calendar year, which includes first-time distributions to be made by April 1, 2020 (and that had not already been distributed prior to January 1, 2020). Please also be aware that recent retirement plan legislation changed the starting age of RMDs to 72 from 70-1/2 beginning in 2020.

What are some potential considerations for a participants' needs versus retirement preparation?

We recognize the extreme impacts these extraordinary events are having on our Plan participants. These new provisions will help facilitate meeting the short-term needs of some participants. With a longer-term view, we offer the following for participants to consider in examining their specific circumstances:

1. Consider whether other sources of funds, like emergency savings or a home-equity loan, are available to meet short-term needs
2. Consider a CRD or CRL in an amount necessary to match your immediate needs only
3. Plan to refund the CRD or repay the CRL to avoid income taxation, and to maintain your retirement planning; amounts withdrawn and not repaid will not be available to sustain your lifestyle in retirement
4. Maintain your retirement savings now or as soon as you are able
5. Consider your investment strategy thoughtfully, and only make changes necessary to meet your long-term objectives
6. Engage with a [TIAA](#) financial consultant or your own financial advisor as needed to assist your decision-making and to avoid emotion-driven choices.

We all hope for a return to some sense of normalcy soon. Until then, with these expanded options and with careful consideration, participants will hopefully be better positioned to balance both their short-term needs and long-term goals.

Next steps

Please consider your options carefully to make the most appropriate choice to meet your current financial circumstances, while at the same time remaining focused on meeting your long-term retirement plan goals.

We are supportive of our participants in this time of concern and difficulty. 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/butler or calling TIAA at 855-400-4294. You can also visit TIAA.org/butler 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.