

The City of Olathe 457b Plan Responds to the CARES Act



Retirement plan participants who are struggling to pay the bills amid the COVID-19 pandemic may take advantage of relief granted by the Coronavirus Aid, Relief and Economic Security (CARES) Act that was signed into law on March 27, 2020. This newly enacted emergency stimulus package seeks to assist workers impacted by COVID-19 by increasing access to retirement plan account savings.

In order to qualify for any of these provisions, you must be an “eligible participant.” You are an “eligible participant” if:

- You, your spouse or dependent was diagnosed with SARS-CoV-2 or COVID-19 by a test approved by the Centers for Disease Control and Prevention; OR
- You have experienced adverse financial consequences due to the participant being furloughed, quarantined or laid off; having their paid work hours reduced; being unable to work due to lack of childcare; or having to close or scale back a business due to coronavirus.

While taking money from your retirement account early should be a last resort, we understand that sometimes unusual times call for unusual actions. To help, The City of Olathe has adopted the following provisions within our 457b Plans:

Coronavirus-related distribution

This new distribution event allows eligible participants to take penalty-free withdrawals from retirement accounts of up to \$100,000 (combined limit) during 2020. The distributions would not be subject to the required 20% tax withholding. In addition, these withdrawals are taxable income, but individuals have the option to repay the distribution to an eligible retirement plan or IRA within 3 years.

Loans to those eligible for coronavirus-related distributions

The current loan provision has been modified to allow an eligible participant to receive a plan loan in an amount not to exceed the lesser of \$100,000 (increased from \$50,000) or 100% (increased from 50%) of the participant’s vested account balance. The modified loan limit is effective for loans made for a 180-day period beginning on March 27, 2020.

Suspension of loan repayments in 2020

Eligible participants may suspend loan repayments on either existing loans that are due March 27, 2020, or new loans made after that date through December 31, 2020, for one year. Any subsequent repayments must be adjusted to reflect the delay and interest accrued during the delay. In determining the maximum loan period (normally five years), the delay period is disregarded.

More details and forms to apply for a coronavirus-related withdrawal, request a loan or suspension of loan repayments, may be found online at your 457 plan vendor websites at www.icmarc.org, www.kpers457.org, or www.nrsforu.com

While we encourage you to stay the course, remain invested and continue to save, we understand this is a challenging time. Before making decisions about taking money out of your retirement savings, please discuss your options with a tax professional.