



Date: April 29, 2020
To: UNC Retirement Program Participants
From: **Brian Usischon**
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Subject: Important Information About Your UNC Retirement Program

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law by the President on March 27 and provides options for special loan and distribution options for retirement plan participants to consider as you navigate financial decisions in the coming months.

CORONAVIRUS-RELATED DISTRIBUTIONS/LOANS

The University will adopt the following CARES Act provisions for the UNC System 403(b) and UNC 457(b) Plans for participants impacted by the COVID-19 pandemic:

- Penalty-free distributions
- Higher plan loan limits
- Deferred loan repayments

These changes do not apply to the UNC Optional Retirement Program (ORP) as the ORP does not permit loans or in-service distributions.

Who Is Eligible?

Participants are considered eligible to take coronavirus-related distributions/loans from the UNC System 403(b) Plan or UNC System 457(b) Plan if you meet any of the following conditions:

- Have been diagnosed with COVID-19 by a test approved from the Centers for Disease Control and Prevention
- Have a spouse or dependent who has been diagnosed with COVID-19 using an approved test
- Suffer financial consequences as a result of quarantine, employment furlough, layoffs, reduced work hours, or inability to work due to lack of child care as a result of coronavirus
- Experience a financial loss to an individually owned or operated business that is caused by a closing or reduction of hours due to coronavirus

Penalty-Free Distributions

- For the remainder of 2020, the CARES Act waives the 10% early withdrawal penalty and eliminates mandatory 20% withholding for coronavirus-related distributions of up to \$100,000. The \$100,000 is a combined limit for both the UNC System 403(b) and 457(b) Plans. **Note:** While there is no mandatory tax withholding, you will have the option to voluntarily elect withholding on your distribution.
- You have the option to include income from your distribution over three tax years. We suggest you consult with a personal tax advisor to understand the impact of such distributions.
- The CARES Act also allows you to reinvest withdrawn funds within three years regardless of that year's contribution limit, making it easier to replace the amount of your distribution in your retirement account.
- You will be asked to self-certify that you meet the requirements for a coronavirus-related distribution.

Higher Plan Loan Limits

The maximum loan limit for the UNC System 403(b) Plan and UNC System 457(b) Plan will be increased from \$50,000 or 50% of vested account balances to \$100,000 (less the highest outstanding loan balance over the prior 12 months) or 100% of the vested account balance for loans taken from March 27 to September 23, 2020. The maximum loan amount is a single limit applicable to the sum of loans from both plans.

If you choose to take a loan, you will be asked to self-certify that you meet the requirements for a coronavirus-related loan. The loan approval process and number of loans allowed will remain the same as it does for non-coronavirus-related loans. For faster delivery of loan distribution or funds, you are encouraged to set up electronic funds transfer (EFT).

Suspension of Loan Repayments

You may suspend making any outstanding UNC System 403(b) Plan and/or UNC System 457(b) Plan loan repayments due from March 27 to December 31, 2020 for a period of up to one year. The term of your loan will be extended to reflect the delay, and repayments will be adjusted to reflect interest accrued during the suspension period.

Fidelity and TIAA will administer this provision slightly differently:

	Fidelity	TIAA
Suspended Loan Repayments Restart:	January 1, 2021	One Year after Suspension Date
Loan Term Extended:	Length of Suspension Period	One Year

Here is an example. Assume a participant is eligible for a coronavirus-related distribution and elects to suspend loan repayments as of May 1, 2020 with 12 months of repayments remaining. The providers would calculate the suspension period and adjust the loan term as follows:

	Fidelity	TIAA
Loan Term Remaining as of Suspension Date	12 Months	12 Months
Suspension Period Starts	May 1, 2020	May 1, 2020
Length of Suspension Period	8 Months	12 Months
Loan Repayments Restart:	January 1, 2021	May 1, 2021
Loan Repayments End	December 31, 2021	April 30, 2022

Both providers will add any interest accruing during the suspension period to the remaining principal balance of the loan. Loan repayments will then be recalculated so your revised balance loan is paid off over the number of payments remaining.

Suspension of Required Minimum Distributions (RMDs)

The CARES Act suspends the requirement to receive a RMD payment in 2020. This change is applicable to all the defined contribution plans sponsored by the University (UNC System 403(b) Plan, UNC System 457(b) Plan and the ORP).

If you do not make a separate RMD election, Fidelity and/or TIAA will automatically suspend the next payment required by the end of 2020 and no further action is required by you. However, if you already received a RMD payment in 2020 or you have or were planning to make a separate election, you may need to take action based on the following guidelines:

- *If you already started receiving a RMD this year:*
 - Generally, an RMD is not allowed to be rolled over to another retirement plan or IRA. However, you now have until July 15, 2020 to roll over any RMD you received in February through April 2020. Rollovers are still not permitted for RMDs received in January 2020 but the IRS may now allow it due to the coronavirus. TIAA and Fidelity will monitor regulatory activity and notify you if an extension is granted.
- *If you already elected a systematic withdrawal scheduled later this year:*
 - If you elected a systematic withdrawal in place of the default RMD, you can cancel the 2020 payments or allow them to be paid as scheduled. Regardless, TIAA or Fidelity will automatically restart any scheduled payments in 2021.
- *If you have not set up a RMD this year:*
 - Based on the CARES Act, TIAA and Fidelity 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 or Fidelity website. Be sure to set up an EFT.

For more information about RMDs, please contact your carrier directly at the phone number listed below.

NEXT STEPS

Visit your carrier's website for more information on the CARES Act and other changes to consider. If you meet the eligibility criteria detailed above and would like to request a loan or distribution or speak to a financial consultant, contact your carrier directly online or by phone:

- **Fidelity:** www.netbenefits.com/unc or 800-343-0860
- **TIAA:** www.TIAA.org/unc or 855-400-4294

We recommend reviewing all your options prior to making a decision.