

Frequently Asked Questions (FAQ) Coronavirus Aid, Relief, and Economic Securities (CARES) Act

What is the CARES Act?

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed into law by the President. The CARES Act is the latest round of federal government support relating to the coronavirus public health crisis and associated economic turmoil. It contains some significant retirement plan provisions.

How does the CARES Act affect my PARS Plan?

The CARES Act allows for emergency withdrawals called Coronavirus-Related Distributions (CRDs). Your Employer has made CRDs available under your PARS Plan.

What is a Coronavirus-Related Distribution (CRD)?

A CRD is a new type of temporary emergency withdrawal that can be made available to you as a plan participant through your PARS Plan during the 2020 calendar year. In order to qualify for a CRD, you must meet the criteria to be considered a "qualified individual" as described below.

Who can request a CRD?

A CRD may be made to a "qualified individual." You must self-certify that you are a "qualified individual" and your Employer can rely solely on that certification. You are considered a "qualified individual" if:*

- You have been diagnosed with COVID-19 by a test approved by the Centers for Disease Control and Prevention, or;
- Your spouse or dependent has been diagnosed with COVID-19 by a test approved by the Centers for Disease Control and Prevention, or;
- You have experienced adverse financial consequences as a result of you, your spouse or member of your household:
 - 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,
 - iii) having pay (or self-employment income) reduced due to COVID-19,
 - iv) having a job offer rescinded or start date for a job delayed due to COVID-19, or;
 - v) being unable to work due to closing or reducing hours of a business owned or operated by you, your spouse or member of your household due to COVID-19.

* A member of your household is someone who shares your principal residence

How do I apply for a CRD?

You will need to initially contact your Employer to apply for a CRD. You must self-certify that you meet the criteria of a "qualified individual." Once your Employer approves your request, they will direct PARS to contact you. PARS will then provide you with an Emergency Distribution Election Form.

When is the latest that I can request a CRD?

The CARES Act permits distributions to be made no later than December 31, 2020. In order to process this distribution on or before that date, a completed PARS Emergency Distribution Election Form (EDEF) must be submitted to the PARS office no later than December 15, 2020.

Is there a dollar limit on CRDs?

Yes, CRDs are limited to \$100,000 of your vested benefit across all plans.

What special tax treatment applies to CRDs?

A CRD tax obligation can be spread out over three calendar years (2020, 2021, 2022). CRDs are not subject to the 20% mandatory tax withholding. In addition, the 10% excise tax penalty for early distributions will not apply to a CRD.

Can I repay my CRD?

Yes, you can repay a CRD within three years of the distribution date. If you decide to repay the distribution, please contact PARS for repayment instructions.

Are there any downsides to receiving a CRD?

Replacing income with a retirement plan distribution requires knowledge and careful consideration during these challenging times. Please consult with a financial advisor to help you evaluate your options and support both your short and long-term financial goals.

Additional questions?

Please contact the PARS Plan Support Department with any questions at (800) 540-6369 (M-F, 8:30-5:00PM) or via email at plansupport@pars.org.

PARS is not licensed to provide and does not offer tax, accounting, legal, or investment advice. The information provided in this FAQ is based on our current understanding of the CARES Act. We encourage you to consult with your financial and/or legal advisor to determine the implications of receiving a CRD.