



May 26, 2020

### **Understanding the CARES Act and what it means for you**

Many of us are adjusting to a “new normal” as our jobs, families and lives are impacted by COVID-19. If you’re feeling uncertain about what’s next and how to manage your money, know that you’re not alone.

As a participant in the NC 401(k) Plan, NC 457 Plan and/or the NC 403(b) Program, you have a team ready to help. Our goal is, and always has been, to help you save for the long term and prepare for your financial future. We recognize you may need to prioritize managing your short-term financial needs in the current situation. And, if that's the case, we're here to provide important details and resources so you can make an informed decision for you and your loved ones.

The federal government recently enacted a stimulus package—the CARES Act (Coronavirus Aid, Relief, and Economic Security Act)—offering a variety of relief programs for Americans, such as cash payments, temporary federal student loan relief, and expanded unemployment benefits. There are also provisions available related to retirement savings plans for those impacted by COVID-19. The retirement provisions of the CARES Act have been implemented for the NC Supplemental Retirement Plans by the Department of State Treasurer and the Board of Trustees.

### **The CARES Act and your supplemental retirement savings**

We recognize there are times of hardship when you may need to access your retirement savings. The CARES Act provisions implemented for the NC Supplemental Retirement Plans expand access for eligible participants to withdrawals and loans from the NC 401(k) Plan and the NC 457 Plan. The special distribution and loan provisions apply to the NC 403(b) Program only to the extent that the school district or community college that sponsors your 403(b) plan has adopted the provisions.

#### *Qualifications for eligibility:*

- You, your spouse or dependent is diagnosed with COVID-19 or with the virus SARS-CoV-2, by a test approved by the Centers for Disease Control and Prevention;
- OR
- Due to COVID-19 or the virus SARS-CoV-2, you have personally experienced adverse financial consequences as a result of being quarantined, furloughed, or laid off; a reduction in your work hours; or an inability to work due to lack of childcare; or the closure or reduction in hours of a business that you own or operate.

*If you're eligible, the CARES Act allows you to:*

### **Coronavirus Related Distributions (CRDs)**

- Withdraw up to \$100,000 without a 10% penalty for those under 59½ years old.
- Spread out the recognition of income from the CRD over three years from the date you took the withdrawal. If you elect this tax treatment, you will need to claim it on your personal income tax returns, beginning in 2020.
- Put the money back into an eligible account, such as an account in the NC 401(k) or NC 457 Plan, within three years, even though the amount may be above standard annual limits.

### **Loans**

- Through September 21, 2020, CRD-eligible participants can take out a loan of up to \$100,000 or 100% of their account balance. (Usually, you can't take out more than half your balance, and no more than \$50,000.)
  - CRD-eligible participants who have an existing loan may be able to initiate a second loan (from March 27, 2020–September 21, 2020).
- CRD-eligible participants with loan repayment dates between March 27 and December 31, 2020, can delay loan payments and extend the term of the loan for one year.
  - This is OPTIONAL and you must let Prudential Retirement® know if you wish to make the election to defer payments.
  - This deferral option applies to new and existing loans.
  - Interest continues to accrue during the one-year deferral period.
  - The terms of this delay are subject to IRS guidelines.

Fees associated with CRDs (express mail) and COVID-related loans (loan application and express mail) are waived through December 31, 2020).

*Additional relief is available*

Beyond the relief measures made available through the CARES Act, here are other important things to consider:

### **Hardship & Unforeseeable Emergency Withdrawals**

The NC 401(k) and NC 457 Plans allow for hardship withdrawals for economic reasons not covered by the CARES Act or directly tied to the coronavirus.

### **Required Minimum Distributions**

All Required Minimum Distributions (RMDs) are waived for 2020.

For those who turned 70½ in or before 2019, you may normally be subject to taking a Required Minimum Distribution (RMD) from your account. The NC 401(k) Plan, NC 457 Plan, and NC 403(b)

Program have discontinued automatic 2020 RMD payments not already made, and they're no longer required for the remainder of the 2020 calendar year. If you would still like to take your 2020 RMD, please let Prudential Retirement know and they will process it for you.

### **Some things to think about before accessing your retirement savings**

It can be difficult to maintain your long-term focus right now, when it feels like things are changing daily. But we encourage you to keep your retirement savings goals on track, as much as possible, so you can build a stronger financial future. Here are some things to consider:

- **The money you take out from your retirement savings loses its potential to grow for you.** Compounding is one of the most powerful tools in boosting retirement savings and taking money out can put a permanent dent in your plan balance.
- **Withdrawing savings during a down market may limit your ability to recover your losses.** If your retirement investments have experienced losses as a result of the recent market downturn, selling them now will “lock in” your losses.
- **You may need to pay tax on the money you withdraw.** If you qualify for a CRD, the CARES Act forgives the 10% penalty on a withdrawal from a 401(k) or 403(b) plan for individuals younger than 59½, but you'll still owe ordinary income taxes. However, you may be eligible for a credit on your CRD income taxes if you pay back your CRD within three years.
- **Loans will need to be repaid.** If you're qualified to take your money as a loan, you'll need to pay back the funds with after-tax dollars. You will also need to keep in mind your plan sponsor's approach to loans, such as requirements around payments and interest.

### **Next steps**

Questions? We're here for you. Schedule a virtual one-on-one session with your Retirement Education Counselor by visiting [NCPlans.prudential.com](https://www.ncplans.prudential.com) and clicking on “Find Your Counselor” under QUICK LINKS on the left side of your screen.

### **Take action online**

Log in to manage your account, including CARES Act-related transactions. In order to do so, you can visit [NCPlans.prudential.com](https://www.ncplans.prudential.com). While there, you can also view your account, use tools and learn more about market volatility, and how to manage retirement accounts.

If you'd like to talk to a representative, or have any other questions on these relief programs, give us a call at **866-NCPlans (866-627-5267)**. Please mention CARES Act when prompted. Representatives are available to assist you Monday–Friday, from 8 a.m.– 9 p.m. ET.

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Any outstanding loan balance not paid back at termination becomes taxable in the year of default. Under the Tax Cuts and Jobs Act, for defaults related to termination of employment after 2017, the individual has until the due date of that year's return (including extensions) to roll over this amount to an IRA or qualified employer plan.

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