



City of Newport News
HUMAN RESOURCES
COVID-19 Special Edition: CARES Act FAQs
RETIREMENT PLAN PROVISIONS

**FEDERAL CORONAVIRUS AID, RELIEF, AND ECONOMIC SECURITY ACT –
CARES ACT - RETIREMENT PLAN INFORMATION**

Q: Who is eligible for the one-time stimulus payment from the federal government through the CARES Act?

A: *Single adults with Social Security numbers who have an adjusted gross income of \$75,000 or less will receive a one-time stimulus payment of \$1,200, individuals making \$75,000 - \$99,000 will receive up to \$1,200. Married couples with no children earning \$150,000 or less will receive payments of \$2,400, and income adjusted payments will be made to couples making up to \$198,000. Adults will receive an additional \$500 for every qualifying child age 16 or under. For more information, please visit <https://www.irs.gov/newsroom/economic-impact-payments-what-you-need-to-know>. In addition, you can also check the status of your payment, if applicable: [Coronavirus Tax Relief](#).*

Q: Do I need to do anything to receive the benefit?

A: *Individuals with Social Security numbers for whom the IRS already has direct deposit information do not need to take action to receive payment. In the coming weeks, the Treasury plans to develop a web-based portal for individuals to provide their banking information to the IRS online, so that individuals can receive payments immediately as opposed to checks in the mail. Individuals who have not filed federal taxes in 2018 or 2019 will need to file a simple tax return to receive the payment. The payment will not be taxed as income.*

Q: How does the CARES Act impact my health savings or flexible spending accounts?

A: *The CARES Act extended the list of HSA, and flexible spending account (FSA) qualified expenses to include menstrual care products and over-the-counter (OTC) drugs without a doctor's prescription.*

- **Claims reimbursement** - Members can submit claims for menstrual care products and OTC drugs without a doctor's prescription. The date of purchase must be after December 31, 2019.
- **Card purchases** - Health care debit card use for OTC drugs without a prescription and menstrual products is dependent on the updated eligible product list managed by the Special Interest Group for IIAS Standards (SIGIS), and also on merchants updating their systems. In the interim, members will need to submit manual claims with the proper documentation.

Q: Does the CARES Act allow me to make changes to my flexible spending accounts?

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A: *FSAs - Unfortunately, members **cannot** make election changes absent a qualifying life event. As such, having more or fewer medical expenses do not qualify.*

*DCFSAs - Members **can** update their election if there's a change in the childcare provider or cost of coverage, as long as the update is consistent with the change. For example, if a daycare provider stopped services due to COVID-19, the election can be reduced or eliminated.*

CARES ACT RETIREMENT WITHDRAWAL AND LOAN FAQs

Q: I would like to withdraw money from my retirement account to cover expenses related to the health emergency. What options do I have?

A: *The CARES Act provides qualified individuals affected by the coronavirus with access to retirement savings that typically would be inaccessible or subject to early withdrawal penalties. The new law waives the 10 percent early withdrawal tax penalty (that generally applies to early distributions for individuals under 59 ½ years old) from qualified retirement plans (e.g. 457 plans, 403(b) plans and traditional IRAs) for coronavirus-related distributions (CRDs) made between January 1, 2020, and December 31, 2020. The Act also increases the maximum loan amount which may be taken from a qualified plan.*

If you participate in the ICMA 457 Deferred Compensation plan through the City or VRS, you may be eligible to take an in-service coronavirus-related distribution or loan of up to \$100,000 or 100% of your vested account balance:

Q: Who can take a coronavirus-related distribution (CRD)?

A: *The City of Newport News will generally allow employees to take a coronavirus-related distribution if:*

- *You, your spouse, or dependent has been diagnosed with the coronavirus (i.e., SARS-CoV-2 or COVID-19)*
- *You have experienced adverse financial consequences because you have been quarantined, furloughed, laid off, or have had work hours reduced due to the coronavirus*
- *You are unable to work because of a lack of child care due to the coronavirus*
- *You own or operate a business and have had to close or reduce hours due to the coronavirus*
- *You have experienced an adverse financial consequence due to other factors as provided in guidance issued by the Internal Revenue Service.*

Q: When can I take a CRD?

A: *The distribution must be made on or after Jan. 1, 2020, and before Dec. 31, 2020.*

Q: Is there a cap on how much can I withdraw under the CRD provision?

A: *Yes. During 2020, you may withdraw up to a total of \$100,000 in coronavirus-related distributions from accounts in all eligible retirement plans.*

Q: Do I have to pay taxes or an early withdrawal penalty on a CRD?

A: *A CRD is included in gross income in equal amounts over three years. The 10% early withdrawal penalty is waived for CRDs.*

Q: Can I repay the withdrawn funds to my retirement account?

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A: *Generally, yes. To enable participants to restore their retirement savings, the law allows the distribution to be repaid during the three-year period beginning on the day after the date the distribution is made, back into a plan. In that case, the repayment is treated similar to a rollover. The repaid amounts will not count toward the maximum contribution limit in the year that the funds are repaid.*

Q: How do I request a distribution from my 457 account?

A: *Employees may contact C. Mackenzie Moss, Certified Retirement Counselor® & ICMA-RC Retirement Plans Specialist at Cell: (202) 236-4015 or by email at m moss@icmarc.org.*

In addition to the existing online tools that can be found in ICMA-RC's [Retirement Education Center](#), Account Access is also available for employees to access accounts online at www.icmarc.org/login.

Q: What are the changes regarding loans from retirement plans?

A: *The City of Newport News has opted to expand loan options to provide flexibility for our employees who may be affected by the COVID-19 pandemic. Loan limits have doubled, from \$50,000 to \$100,000, and are capped at 100% of the vested account balance (rather than 50%). This applies to plan loans taken out during the 180-day period beginning March 27, 2020.*

In addition, for qualifying individuals who have an outstanding loan on or after March 27, 2020, any repayment of the loan due between March 27, 2020, and December 31, 2020, may be delayed for one year (with any subsequent repayments (and interest) adjusted to reflect such delay in repayment).

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Q: Can I take a distribution or refund my contributions from a defined benefit plan (NNERF, VRS Plan 1, VRS Plan 2)?

A: *No. In-service distributions from defined benefit plans, including NNERF and VRS Plan 1/ Plan 2, are not allowed by the IRS.*

Q: Am I required to take a required minimum distribution (RMD) from my retirement accounts this year?

A: *No. Provided that your account is an IRA, 457, 401(a) plan or other defined contribution plan, all required minimum distributions for these plans have been waived for 2020.*

Q: Where can I get more information on the retirement-related provisions in the CARES Act?

A: *The IRS is expected to provide guidance regarding the retirement-related provisions, which will be available on the IRS.gov website – click the link for updates: [Coronavirus Tax Relief](#).*

The City's ICMA-RC Representative also stands ready to serve you during this time of uncertainty. Please contact C. Mackenzie Moss, Certified Retirement Counselor® & ICMA-RC Retirement Plans Specialist at Cell: (202) 236-4015 or by email at m moss@icmarc.org.