



Subject: Options to help you and your family if impacted by COVID-19

Legislation, called the CARES Act, was recently enacted, and it offers you some assistance if you or a family member have been impacted by COVID-19. What's available to you is listed below, as well as the most common questions we've been receiving.

What relief is available from the CARES Act?

COVID-19 withdrawal option (tax favored)

This special withdrawal option is available, and you can find the request form when you log in to principal.com on the landing page. The special withdrawal option will be available between now and through Dec. 30, 2020. Here's what it means for you:

- The typical 10% penalty tax that applies to early withdrawals doesn't apply.
- The standard 20% federal tax withholding does not apply, but 10% withholding will be unless you decide otherwise.
- Income taxes for the distribution can be spread over 3 years.
- Maximum amount available for an individual to withdraw is up to \$100,000 (cumulative maximum amount which applies across all sources), and you may be permitted to recontribute the amount within 3 years (as a rollover) without regard to annual contribution limits.
- You'll need to self-certify (by checking a box on the request form) that you've been affected by COVID-19 to be eligible for a distribution. You must certify you have adverse financial consequences from the COVID-19 pandemic, or you, your spouse, or dependent have been diagnosed with COVID-19 or SARS-CoV-2 by a test approved by the Centers for Disease Control and Prevention.

Loan provision changes

We've made some changes to our plan's loan provisions, including:

- Increased limits for new loan requests to 100% of vested account balance, up to \$100,000, for 180 days, beginning March 27, 2020.¹
- If you have an existing loan from the retirement plan, the plan loan payments due between now and Dec. 31, 2020, are delayed for one year, and this period is disregarded from the loan's term. Subsequent payment due dates and amounts will be adjusted to reflect the delay period and any additional accrued interest.
- In order to qualify, you must certify (by checking a box on the request) that you have experienced certain adverse financial consequences from the COVID-19 pandemic or you, your spouse, or dependent have been diagnosed with COVID-19 or SARS-CoV-2 by a test approved by the Centers for Disease Control and Prevention.

Required Minimum Distributions (RMD) waiver

- There is a temporary waiver of the RMD rules for distributions required in 2020 for defined contribution plans.
- An additional year is allowed for beneficiaries to complete their distributions if they are taking distributions under the 5-year rule.

¹ Additional guidance from the Department of Labor regarding their separate 50% vested account balance limit on plan loans is expected.

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Here's how you can request relief from the CARES Act

Log onto your account at principal.com or call Principal® at (800) 547-7754. As always you should consider the information described above before deciding to take any action including to start, continue, or change your salary deferral rate.

Answers to some of the common questions

Who is eligible for a COVID-19 related withdrawal (tax favored) or loan?

You will be asked to self-certify that you meet one of the below requirements:

- You've been diagnosed with virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention.
- Your spouse or dependent (as defined in Section 152 of the Internal Revenue Code of 1986) has been diagnosed with the virus or disease by such a test.
- You have experienced certain adverse financial consequences from the COVID-19 pandemic

Have plan loan limits been adjusted?

Yes, but only if you've been impacted by COVID-19, the plan loan limit has increased to 100% of your vested account balance, up to \$100,000. This only applies to loans made for 180 days following the March 27th enactment of CARES and is only for individuals who meet the same COVID-19 related conditions outlined above.

What about outstanding loans?

If you've been impacted by COVID-19, scheduled plan loan repayments due from March 27, 2020 (the enactment of CARES) through Dec. 31, 2020, may be delayed for up to one year and this period can be disregarded from the loan's term. Subsequent payment due dates and amounts will be adjusted to reflect the delay period and any additional accrued interest.

If I take a COVID-19 withdrawal can I repay the amount into a qualified retirement plan?

Yes, if you've been impacted by COVID-19 only. You have three years from the day after the withdrawal was received to repay the amount into a qualified retirement plan (or any other plan or IRA that can accept rollovers). The withdrawal will be taxable if it's not repaid, but the taxes can be repaid over a three-year period, unless the participant otherwise elects.

Does my organization need to verify that I qualify for a COVID-19 withdrawal or loan?

No. If you've been impacted by COVID-19, you can self-certify for eligibility when requesting the loan or withdrawal. This may be done via a form provided at principal.com or for loans by calling Principal at 800-547-7754.

Have there been adjustments made for Required Minimum Distributions (RMDs)?

Yes. The CARES Act waives RMDs for the 2020 calendar year. If an RMD has already been received during 2020, you may be able to request an indirect rollover back into the plan as long as it's within 60 days of the original RMD payment and the plan allows for such rollover in.

Is there a limit to the number of loans I can take?

Yes, existing plan provisions apply. The 403(b) Plan currently limits the number of loans to **one** outstanding at anytime. If you've been impacted by COVID-19, you could also consider taking a withdrawal, which may be repaid over the next three years.

What are my options if I am terminated or furloughed?

If you have experienced an actual termination of employment or job loss, you may be eligible for a distribution of your vested account balance.

- You would be permitted to take a COVID-19 withdrawal (if the plan permits) and you meet the requirements to be eligible.
- The timing and options related to this event will be determined by your plan document.
- We must first receive notification of your termination from your plan sponsor.

- Once that is received, you can begin the process by logging on to our participant website or you may want to contact our Participant Contact Center 800-547-7754 for assistance.

If you have not been terminated, but rather are having hours reduced, furloughed, and/or subject to a layoff or temporary leave of absence then you may still be considered an employee of your employer and not eligible for a distribution from the plan due to a separation of service. However, you still may be eligible to either take a loan or another qualified plan withdrawal from your employer's plan, if allowed.

- You would be permitted to take a coronavirus-related distribution (If the plan permits) and you meet the requirements to be eligible.
- Qualified plan withdrawals may include hardship withdrawals (see question below) or other in-service withdrawal options such as attaining age 59 ½.
- Since plans are not all the same, you will need to log on to your account or check with you to determine what options may be able to them.

Are there fees for taking a COVID-19 withdrawal or loan?

Related withdrawal and new loan set-up fees you pay have been waived through Sept. 30, 2020, by Principal. Ongoing loan maintenance fees still apply. Distribution fees you pay on hardship withdrawals or special COVID-19-related withdrawals (tax-favored) have also been waived by Principal through Sept. 30, 2020.

Can this withdrawal/distribution be used for a rollover if I just want my money out of my plan?

No. These withdrawal provisions of the CARES Act are intended to help those most in need of accessing retirement funds to get through a financial hardship, not to be able to roll the funds over to another product. It will not be able to be rolled over directly. But if you use the three-year payback option, or recontribute the withdrawal amount into another qualified account, you may be able to rollover indirectly.

Can this be used if my spouse has lost their income?

The CARES Act defines the impacted individual as a participant who has lost income and based on our interpretation does not mention anything about the spouse's loss of income, so this would likely not qualify. However, if a spouse has been diagnosed with COVID-19 or SARS-CoV-2 it would qualify.

How will I know when this is available?

Our organization adopted these changes on **4/21/2020**, so you generally see the option available on the next business day when you log in to principal.com.

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