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 SECRETARY

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**Correspondence Memorandum**

**Date:** May 17, 2020  
**To:** Deferred Compensation Board  
**From:** Shelly Schueller, Director  
 Wisconsin Deferred Compensation Program  
**Subject:** CARES Act and Related COVID-19 Changes

**ETF requests the Board approve the implementation of two CARES Act provisions: 1) suspension of required minimum distributions (RMDs) in 2020 and 2) allowing eligible participants to take coronavirus-related distributions.**

The Coronavirus Aid, Relief and Economic Security Act or “CARES Act” (Ref. DC | 06.11.20 | 8A) was signed by President Trump on March 25, 2020, two weeks after the last Deferred Compensation Board meeting. The CARES Act contains several provisions intended to provide relief to participants of retirement plans such as the Wisconsin Deferred Compensation Program (WDC) who are suffering as a result of the coronavirus pandemic. These provisions include waiving RMDs during calendar year 2020 and permitting coronavirus-related distributions.


As stated in the attached email dated April 5, 2020, in the interest of participants, ETF and the WDC’s administrator, Empower Retirement, moved quickly to implement two provisions of the CARES Act:

1. the RMD waiver, and;
2. coronavirus-related distributions.

In addition, coronavirus-related information has been included on the WDC’s home page and specific messages also appear after a participant has logged into their account.

**RMD Waiver**

Empower Retirement has ceased issuing RMDs to participants. Nearly 3,400 participants currently in RMD status received a letter from the WDC, informing them of the 2020 waiver and their options. Participants who desire an RMD during 2020 must submit a request for a withdrawal because Empower will not process any 2020 RMDs unless specifically requested by the participant. Participants who have already received an RMD this year have the option to keep the RMD or roll the RMD to an IRA or a

Reviewed and approved by Matt Stohr, Administrator, Division of Retirement Services  
 Electronically Signed 5/29/20

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qualified plan. All previously scheduled WDC installment RMDs will be reinstated in 2021 to satisfy future RMDs per the Internal Revenue Code guidelines.

### **Coronavirus-related Distributions**

Coronavirus-related distributions to participants who self-certify they are eligible is an optional plan provision. These distributions are exempt from the ten percent early withdrawal penalty and the mandatory twenty percent withholding. Regular income tax on these distributions is spread ratably over three years unless the participants elects otherwise. More guidance from the IRS is expected, but plans are expected to issue a Form 1099-R for the full distribution amount and participants will need to claim the three-year ratable taxation on their personal tax returns. Federal laws also allow participants to repay these distributions within three years of the date of distribution. Repayments will be treated as rollover contributions.

For the benefit of participants suffering from the coronavirus who may need very quick access to their WDC accounts, in April 2020, ETF agreed to Empower Retirement's suggestion to immediately implement the distribution option. Empower Retirement has developed a specific distribution form for coronavirus-related distributions, and all WDC participants received an email from the WDC regarding the availability of coronavirus-related distributions. As of May 15, 2020, 72 participants have initiated a coronavirus-related distribution.

ETF requests the Board formally approve the implementation of CARES Act provisions related to waiving calendar year 2020 RMDs and permitting coronavirus-related distributions.

Staff will be at the meeting to answer any questions.

Attachment: April 3, 2020 email re: WDC CARES Act Implementation

**From:** [Gurley, Lisa - ETF](#)  
**To:** [Gurley, Lisa - ETF](#)  
**Cc:** [Schueller, Shelly - ETF](#)  
**Subject:** WDC CARES Act Implementation  
**Date:** Friday, April 3, 2020 4:09:41 PM  
**Attachments:** [pastedImagebase640.png](#)  
[pastedImagebase641.png](#)  
[pastedImagebase642.png](#)  
[pastedImagebase643.png](#)

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Dear Deferred Compensation Board member—

As I shared earlier, the federal Coronavirus Aid Relief and Economic Security (CARES Act) includes some provisions for retirement plans such as the WDC. A brief summary of how the CARES Act impacts retirement plans can be found on the National Association of Government Defined Contribution Administrator's website at: [https://www.nagdca.org/wp-content/uploads/2020/04/NAGDCA-CARES-Act-Analysis\\_FINAL.pdf](https://www.nagdca.org/wp-content/uploads/2020/04/NAGDCA-CARES-Act-Analysis_FINAL.pdf)

On Monday, April 6, 2020, Empower will begin implementing portions of the federal CARES Act on behalf of all plans Empower administers, including the WDC. What does this mean for the WDC? Specifically, this means that:

- 1) Required minimum distributions (RMDs) for calendar year 2020 are no longer required and will not be processed. Participants who are currently receiving a recurring payment of their RMD will be notified that they can stop. Participants who still want an RMD-type payment will need to request a specific dollar amount to be distributed to them.

- 2) Participants seeking a Coronavirus-related distribution from the WDC will be able to do so. A Coronavirus-related distribution is not the same as an unplanned financial emergency withdrawal, but Empower will be processing coronavirus-related distributions for eligible participants regardless of employment status. Participants will self-certify their eligibility and monitor the limit of \$100,000 across all retirement plans. The tax burden can be spread up to three years. They also have the option of paying

back the distribution over up to three years. Any 10% early withdrawal penalties that may have applied will not apply to coronavirus-related distributions.

ETF carefully evaluated the options and determined that in the interest of providing timely assistance to participants who need it, Empower should move ahead with these Coronavirus relief items for the WDC. Please let me know if you have any immediate concerns, as we can schedule a conference call board meeting if you'd like. Otherwise, ETF intends to have this topic on the June Board agenda for further discussion and to formalize this legislation for the WDC.

Thank you and stay well -

Shelly



**Shelly Schueller** | Director  
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