

Frequently Asked Questions about the CARES Act

We're here to help you navigate any financial changes/challenges you may be facing. Your employer's 401(k) plan may provide options to access needed funds today, and the Coronavirus Aid, Relief, and Economic Security (CARES) Act may provide additional options. These FAQs provide an overview of the CARES Act.

- Please keep in mind, the CARES Act distribution and loan provisions are optional for a plan.
- Check your My Accounts page on Benefits OnLine® at benefits.ml.com where updates specific to your employer's plan adoption will be posted as soon as possible.
- If you are not able to take advantage of the added provisions in the CARES Act, your employer's 401(k) plan may have other withdrawal and loan options available to you now. Please consider the advantages and disadvantages of taking a loan or withdrawal before initiating one.
- It is always important to review your overall financial situation and long-term goals when considering taking a loan or withdrawal from your 401(k) account or IRA.



For account access, remember — Benefits OnLine at benefits.ml.com or the Benefits OnLine mobile app are available to you virtually 24/7.

Overview

The CARES Act was enacted on March 27, 2020, and includes provisions for certain retirement plans that:

- Permit an additional withdrawal of up to \$100,000 for Coronavirus-Related Distributions (CRDs)
- Increase the available loan amount to the lesser of a participant's vested account balance or \$100,000 and provide relief from loan repayments

- Waive required minimum distributions ("RMDs") for the 2020 calendar year (including RMDs for individuals whose first RMD was due by April 1, 2020, and it was not taken prior to January 1, 2020)

There are specific eligibility requirements associated with the enhanced withdrawal and loan provisions (see below). In addition, the special withdrawal and loan provisions are discretionary, and your employer's 401(k) plan would have to be amended to adopt the provisions in order for these provisions to be available to you.

Q. What are the eligibility requirements for CRDs and loans under the CARES Act?

A. To be eligible for a CRD or the CARES Act loan provision, you must be an individual:

- Who is diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved by the Centers for Disease Control and Prevention, or
- Whose spouse or dependent (as defined in the Internal Revenue Code) is diagnosed with such virus or disease, or
- Who experiences adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced due to such virus or disease, being unable to work due to lack of child care due to such virus or disease, or closing or reducing hours of a business owned or operated by the individual due to such virus or disease, or other factors as determined by the Secretary of the Treasury.

Q. What documentation is required to prove that I am eligible for a CRD or the CARES Act loan provision?

A. You will be asked to self-certify that you satisfy the conditions for eligibility as noted above.

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Withdrawals

Q. What if I want to take a CRD from my employer-sponsored retirement plan or IRA?

A. If your employer-sponsored retirement plan* or IRA provider adopts the CRD provisions and you are eligible for a CRD:

- You can withdraw your vested account balance to a maximum of \$100,000 whether an active or terminated participant.
- CRDs will be available up until December 31, 2020.
- The standard 10% additional federal income tax on distributions prior to age 59½ would be waived as would the 20% mandatory federal income tax withholding.
- You will have up to three years to pay the federal income tax owed on your CRD, in equal amounts. Note that state and local income taxes may not be subject to this delayed payment. Consult your tax advisor for more information on your personal circumstances.
- Further, you will have the option to repay/rollover the withdrawal (see below) within three years.

NOTE: The provisions described here reflect the full extent of the CRDs and loan relief permitted by the CARES Act. Employers and IRA providers may choose to adopt a modified version of these rules, and you should review the specific terms applicable to CRDs and loans from your employer's plan or your IRA. If you are looking to take a CRD under the CARES Act and your employer's plan allows this provision, CRD withdrawals are anticipated to be available online on or after April 20 and will be processed daily. If you do not qualify for a CRD, refer to your employer's plan for other options, which may include a hardship withdrawal.

Q. What if I want to repay my CRD? Can I do that?

A. Yes, if your employer's plan otherwise permits rollovers. You may also have other options, such as making the repayment to a Rollover IRA. You will be able to repay all or some of your withdrawal within three years and the repayments will not count toward the annual contribution limits set by the tax laws for your employer-sponsored retirement plan account or IRA. The payments will be treated as rollover contributions into your employer-sponsored retirement plan account or IRA.

NOTE: Withdrawals taken that do not qualify under the CARES Act CRDs cannot be repaid and taxes will be due for the year of the withdrawal.

Q. What if I took a distribution before March 27, 2020, that would otherwise be eligible for CRD treatment? Do I still have to pay the 10% additional federal tax?

A. Distributions taken from January 1, 2020, to December 31, 2020, which satisfy the eligibility requirements are entitled to the CRD special tax relief. However, the particular rules on the process for recharacterizing distributions taken prior to March 27, 2020, have not been announced at this time. Further guidance from the IRS is expected to address this topic.

Q. What if I have an IRA or balance in another employer plan? Can I take a withdrawal from that plan?

A. The \$100,000 limit is an aggregate limit and applies across all tax-deferred retirement plans in which you have an interest — IRA, 401(k), 403(b) or governmental 457(b) plans.

Required Minimum Distributions

Q. Do I still have to take my Required Minimum Distribution (RMD) this year?

A. You are generally required to begin taking distributions from your retirement plan based on a tax law formula when you reach your required beginning age.** However, under the CARES Act, all 2020 RMDs have been waived. There are no coronavirus eligibility requirements with this change.

- First time RMDs relating to the 2019 tax year that were required to be made by April 1, 2020, but which have not yet been distributed are also waived.
- Whether distributions received as RMDs during 2020 and before the CARES Act was enacted on March 27, 2020, may be eligible for rollover is not a settled issue, and further guidance on this topic is anticipated.
- Should you wish to receive the amount that would have been your RMD (or another amount), you can request a withdrawal.

NOTE: Most distributions and withdrawals (other than hardship withdrawals) can be requested online at benefits.ml.com or through the mobile app.

* For money purchase plans, you must otherwise have reached an age at which in-service withdrawals are available.

** If you were age 70½ prior to 1/1/2020, your required beginning age is 70½, and if you have reached or will reach age 70½ on or after 1/1/2020, your required beginning age is 72.

Loans

Q. How much can I borrow from my 401(k) account under the CARES Act?

A. If your employer's plan offers general loans and adopts the CARES Act loan increase provision, you may be eligible to borrow up to 100% of your vested account balance not to exceed \$100,000. To take advantage of the higher loan limits, the loan must be made within 180 days of March 27, 2020, when the CARES Act was enacted.

NOTE: Depending on the terms of your employer's plan, you can generally take a loan of up to 50% of your vested account balance (minus any outstanding loans) not to exceed \$50,000 through Benefits OnLine at benefits.ml.com or the mobile app. The provisions described here reflect the full extent of the loan relief permitted by the CARES Act. Employers may choose to adopt a modified version of these rules, and you should review the specific terms applicable to loans from your employer's plan.

Q. What if I have an outstanding loan and want to take another loan under the CARES Act eligibility requirements?

A. You will be limited to the number of loans your employer's plan permits. For example, if your employer's plan permits one loan, you will need to repay your outstanding loan before taking a new one. In this case, you may want to consider the CRD option.

NOTE: General loans available to you today can be requested online at benefits.ml.com or through the mobile app. Instructions on how to request a CARES Act loan will be forthcoming as it relates to your employer's plan.

Q. How do I request a loan under the CARES Act?

A. We will provide information on how you may be able to request a loan under the CARES Act in the near future. Updates will be posted on Benefits OnLine.

Q. What if I don't meet the CARES Act eligibility requirements but still want to take a loan?

A. If you do not meet the CARES Act requirements and your employer's plan permits loans, you can still take a general loan under the current rules of 50% of your vested account balance (minus any outstanding loans) not to exceed \$50,000, subject to any loan limits that apply to your employer's plan. You will need to repay the loan under the loan terms associated with that loan.

NOTE: General loans available to you today can be requested online at benefits.ml.com or through the mobile app.

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