Retirement Plan FAQs Related to COVID-19

TERMINATION/LAYOFF/FURLOUGH

1. **What is the difference between layoff, furlough and termination?**

This is not always clear. It is important to note there are no hard and fast rules and legal definitions to rely on when making this determination. However, how an employer categorizes an employee will dictate many of the options below with regards to the options available for distributions and loans from the Retirement Plan. Generally, a furlough is temporary whereas a layoff can be temporary or permanent. In either situation there is usually not a legal obligation to rehire an employee. More important is determining if the employee is terminated which essentially means the employee's employment relationship has ended. Questions for you to consider:

- Were you terminated when you were laid off?
- Are you still eligible for benefits?
- Is your employer holding your job open for you and expecting you to return?
- Are you eligible for unemployment benefits?

This is a facts and circumstances determination that your employer will need to evaluate. We encourage you to speak with your employer and request them to provide you with the best answer they can in your situation. If your employer informs MVP that you are terminated, we will consider your employment terminated.

DISTRIBUTIONS FROM 401(K) PLAN

1. **If you are laid off/furloughed from your job even temporarily, are you eligible to take a distribution?**

Possibly. If the employer considers you terminated, then you are eligible for a distribution due to severance of employment. If you are not considered terminated, then you may be eligible for an in-service (age 59 ½) or hardship distribution (if the plan allows these provisions).

2. **If a participant has suffered economic loss due to the pandemic, can you take a coronavirus-related distribution?**

Yes, **BUT ONLY IF YOUR EMPLOYER ELECTS TO ALLOW THIS PROVISION**. MVP emailed your employer a checklist to complete and return that would allow your plan to be amended to allow this option for you. If the Checklist was returned to MVP with this option selected, then this option will be allowed for you.

As part of the Cares Act signed into law on March 27, 2020, there is an additional distribution that may be taken for those affected by COVID-19 as follows:

- Up to $100,000 may be withdrawn for this purpose
- Avoids 10% early withdrawal penalty
- Distribution must be paid between March 27, 2020 and December 31, 2020
- Distribution must be paid to an individual who:
    - Is diagnosed with COVID-19 by a test approved by the CDC
    - Whose spouse or depended is diagnosed with such virus by such test
    - Experiences adverse financial consequences as a result of being quarantined, furloughed, laid off, having work hours reduced due to the virus, being unable to work due to lack of child care resulting from the virus, closing of business or reduction of hours of business owned or operated by the individual as a result of the virus.
- Distributions MAY be repaid to the plan (not required)
- Taxation of the distribution may be spread over 3 years

For purposes of the COVID distributions, you may self-certify and attest to the fact the distribution is related to COVID and satisfies the requirements. The self-certification is a part of the MVP Distribution Form. These forms are available on our website after you login to your account.

3. **Are you required to take an RMD (Required Minimum Distribution) for 2020?**

No. RMDs are waived for 2020. If you have already taken your RMD for 2020, you can elect to roll it back to the plan or your IRA by paying the full amount of the distribution plus taxes. You would report the rollover on your tax forms.

LOANS FROM 401(K) PLAN

1. **If you are laid off/furloughed from your job, do you need to continue loan payments?**

Possibly. If you are laid off from your job and no longer receive compensation, the loan payments will cease. This means your outstanding loan may result in default as of the end of the following quarter. You can make a lump sum payment to pay off the loan which must be completed by submitting a check to your employer and then your employer in turn submits that to MVP.

You can elect to delay loan payments up to one (1) year, **BUT ONLY IF THE PLAN SPONSOR ELECTS TO ALLOW THIS PROVISION**. MVP emailed your employer a checklist to complete and return that would allow your plan to be amended to allow this option for you. If the Checklist was returned to MVP with this option selected, then this option will be allowed for you. *Please contact your plan's MVP Relationship Manager if you have any questions about this option.*

The CARES Act added a one (1) year suspension of loan payments for employees suffering from a COVID-19 related issue. The same criteria as mentioned above under the distribution section applies in determining if you are eligible under this rule. If eligible, outstanding loan payments due between March 27, 2020 and December 31, 2020 may be delayed for one (1) year. Keep in mind, that interest on the loan will continue to accrue. When loan payments resume, the amortization schedule will be extended, and the loan payment will increase to adjust for the accrued interest.

For purposes of the COVID suspension of loan payments, you may self-certify and attest to the fact you satisfy the requirements outlined above in the distribution section as it relates to COVID. The self-certification to delay loan payments can be obtained by contacting your employer.

The completed COVID Certification form to delay loan payments should be kept as part of your personal financial records. The delay for loan payment will take effect as soon as administratively feasible after receipt of the signed certification by the by you. We recommend you remember that you must begin loan payments within one year of the date they stop.

2. **If you have an outstanding loan and you are on a reduced work schedule such that the compensation you receive is less than the loan payment, is the loan repayment required?**

Yes. The obligation to repay the loan continues despite the amount of income earned. However, if you qualify for the COVID-19 relief, the loan payments for the remainder of 2020 may be suspended for one (1) year as described above.

3. **Can you request loan funds as a result of COVID-19?**

Yes, **BUT ONLY IF THE PLAN SPONSOR ELECTS TO ALLOW THIS PROVISION**. MVP emailed your employer a checklist to complete and return that would allow your plan to be amended to allow this option for you. If the Checklist was returned to MVP with this option selected, then this option will be allowed for you. *Please contact your plan's MVP Relationship Manager if you have any questions about this option.*

Also, current plan loan provisions still apply. If the plan allows for 1 outstanding loan at any given time, then you may not apply for an additional loan until the outstanding loan has been completely paid off.

The maximum loan limitation has been increased from $50,000 to $100,000 and the maximum loan % has been increased from 50% of your vested balance to 100% if you qualify for a COVID distribution. This applies to new loans issued between March 27, 2020 and September 22, 2020. The MVP loan application form has been modified to include language that allows you to certify the loan is being requested for COVID and can be processed at the higher limits. The loan application and COVID Certification are located on MVP's website once you log into your account at www.mvp401k.com

CONTRIBUTIONS TO THE PLAN

1. **Can your Employer stop withholding your deferrals if your compensation has decreased?**

Not unless you make an election to do so. Your deferral election should continue to be followed until you choose to change it. You can modify your election to $0/0% at any time by logging into your account on the MVP website. You can also modify your election to a different %/$ at any time. The change in deferral election will take effect as soon as administratively feasible.

2. **Can an Employer temporarily stop all deferrals?**

No. As long as you have compensation, deferrals should be withheld as normal according to your elections and deposited to the plan timely.

3. **Can your Employer stop funding Safe Harbor Matching or Nonelective Contributions?**

Yes**.** If the Plan stops or eliminates the safe harbor contribution mid-year, your employer must

- Amend the plan to remove safe harbor
- Issue a 30-day removal notice to you
- Fund the safe harbor year-to-date through the end of the notice period.

1. **Can your Employer stop or suspend any discretionary contributions mid-year?**

Yes. Discretionary matching and employer profit sharing contributions can be stopped mid-year. The change in match may be communicated to you in some manner whether that is through a memo, email, or whatever form your employer chooses.

2. **Your employer contributed a 2019 Profit Sharing or Matching Contribution. Can they take that back?**

No. If the 2019 Contribution has been deposited to the Plan and allocated to you, the funds cannot be taken back out of the Plan.

3. **Can an Employer freeze all contributions?**

Yes. However, if the plan utilizes a safe harbor contribution, the freeze will work the same as a mid-year stop. See Q1 above.

If you have further questions or need additional information, assistance please call your MVP Relationship Manager at MVP Plan Administrators, Inc. 1-866-687-6877.