

Impact of the CARES Act on 2020 Minimum Required Distributions

Revised July 2020

The Coronavirus Aid, Relief, and Economic Security (CARES) Act waives the MRD requirement for the 2020 distribution calendar year for defined contribution plans (excluding 457(b) plans sponsored by tax-exempt entities) and individual retirement accounts (IRAs). The waiver impacts:

- MRDs that were or would have otherwise been paid to participants or beneficiaries in 2020;
- Participants age 70 ½ before January 1, 2020¹, who deferred their initial 2019 MRD until April 1, 2020; and
- Participants age 70 ½ before January 1, 2020¹, who continued to work in 2020, terminated their employment in 2020 and deferred their initial 2020 MRD until April 1, 2021.

Summary: Impact of the 2020 MRD Waiver for Participants and Beneficiaries in Eligible Retirement Plans (excludes Defined Benefit Plans)

MRD Situation	What Happens in 2020	What Happens in 2021
The participant's required beginning date (RBD) was before 2020 <i>(First MRD was 2018 or earlier)</i>	2020 MRD is waived	2021 MRD due by December 31, 2021
The participant becomes subject to the MRD rules in 2019 <u>and</u> the RBD was April 1, 2020 ¹ <i>(Example: Participant turned age 70½ or retired in 2019, which triggered the MRD requirement)</i>	<ul style="list-style-type: none"> • If the 2019 MRD was paid in 2019, then it is treated as an MRD and not waived • If the 2019 MRD was deferred until April 1, 2020 and paid out in 2020, then it is waived • Any additional 2020 MRD payments are waived 	2021 MRD due by December 31, 2021
The participant becomes subject to MRD rules in 2020 <u>and</u> the RBD will be April 1, 2021	2020 MRD that is required to be paid by April 1, 2021 is waived	2021 MRD due by December 31, 2021
Beneficiary – Annual MRD	2020 MRD is waived	2021 MRD due by December 31, 2021
Beneficiary – 5-Year Rule <i>MRDs for beneficiaries of participants who died prior to 2020 will begin in 2021 and are not waived.</i> <i>(The SECURE Act provision changes to beneficiary MRDs are not affected, as those only apply to participants who die after December 31, 2019.)</i>	2020 is disregarded as part of the five-year period. The MRD is delayed by one year.	If 2020 was year five, then the full payout is due by December 31, 2021



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Summary: Fidelity's MRD Services for Eligible Retirement Plans in 2020

MRD Service (Participant or Beneficiary)	Changes for 2020 (Default Approach)	Exceptions to the Default Approach
Plans using Fidelity's auto-payment service to distribute MRD payments which are normally processed in December	Fidelity will not run its auto-payment service. As a result, MRD payments will not be made in December 2020.	The plan sponsor, participant or beneficiary provides direction to receive payments in 2020
Plans not using Fidelity's auto-payment service to distribute MRD payments	No change—Fidelity will continue to accept plan sponsor direction to make MRD distributions	No change
Scheduled installment payments (e.g., monthly, quarterly, annually) selected by participants or beneficiaries	No change—the participant or beneficiary will continue to receive their affirmatively selected installment payments. Installment payments will continue, yet the participant or beneficiary will be given the opportunity to suspend payments for the remainder of 2020.	The plan sponsor, participant or beneficiary provides direction to stop the 2020 scheduled payments

Summary: Rollover of 2020 MRDs

Generally, distributions to participants (less federal and state, if applicable, income tax withholding) that were originally made as MRDs in 2020 may be eligible for an indirect rollover to a qualified plan (if the plan accepts rollover contributions from terminated employees who are participants) or an IRA/Roth IRA, provided the relevant deadline is met:

Date of Receipt	Rollover Deadline
2020 MRD payments received January 1 through July 2, 2020	August 31, 2020 <i>(Extension permitted by IRS Notice 2020-51)</i>
July 3, 2020 through December 31, 2020	Within 60 days after the distribution was received <i>(Permitted by IRS Notice 2020-51)</i>

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Rollovers to IRA / Roth IRA

Participants and spousal beneficiaries are eligible to roll over their 2020 MRD to their own IRA or Roth IRA. However, non-spousal beneficiaries are not eligible to do an indirect rollover to an IRA or Roth IRA unless the IRS issues special guidance in 2020.

Rollovers to Eligible Retirement Plans

Fidelity will allow terminated employees and spousal beneficiaries who are participants and received their 2020 MRDs to rollover the money into an eligible retirement plan (if permitted under the plan) within the required deadline. The plan sponsor will be required to amend their plan document to accommodate the rollover for terminated employees and spousal beneficiaries by the last day of the plan year that begins in 2022 (2024 for governmental plans).

Important

MRDs are subject to plan rules and requirements. If your plan document includes language specific to MRDs, then an amendment waiving 2020 MRDs may be required. Plan documents must be amended by the last day of the plan year that begins in 2022 (2024 for governmental plans) in order to comply with SECURE Act² and CARES Act requirements.

Fidelity will prepare a good faith amendment to adopt the 2020 MRD approach for our pre-approved plan document³ before the last day of the plan year that begins in 2022 (2024 for governmental plans). Plan sponsors should consult legal counsel on the plan document amendment and to understand any impact of legislative and regulatory changes on 2020 MRDs.

If you have questions, please contact your Fidelity representative.

¹ The CARES Act was passed on March 27, 2020 and Fidelity was unable to stop the processing of the 2019 MRDs payable April 1, 2020.

² As outlined in the Setting Every Community Up for Retirement Enhancement (SECURE) Act, effective January 1, 2020, the age for required minimum distributions (MRDs) was increased from 70 ½ to 72 for participants who turned 70 ½ on or after January 1, 2020. As a result, MRDs must be made to participants who turned age 70 ½ before January 1, 2020.

³ Per the Internal Revenue Service, the volume submitter plan document is now referred to as a pre-approved plan document.

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The information above is general in nature and should not be construed as tax or legal advice.

The charts are based on the CARES Act and IRS guidance, and are subject to change.