

**MARYLAND STATE RETIREMENT AND PENSION
SYSTEM**

IMPORTANT NOTICE

OPTIONAL RETIREMENT PROGRAM



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The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed into law on March 27, 2020 to provide economic assistance during this challenging period. The CARES Act includes provisions that impact retirement plans like the Optional Retirement Program (ORP). Specifically, the CARES Act allows for plan participants to have greater access to their retirement savings if they are adversely impacted by the coronavirus. Effective April 21, 2020, the Board of Trustees of the Maryland State Retirement and Pension System approved permitting coronavirus-related distributions from the ORP, subject to the eligibility requirements outlined below. It should be noted that the Board of Trustees urges any ORP participant who may consider such a distribution to exercise extreme caution. Taking a cash-out, even if made under the CARES Act, could cause irreversible damage to plan participants' retirement outcomes. Participants should be reminded that their retirement savings should be considered a last resort for meeting emergency expenses, especially during the present crisis.

Who is eligible for coronavirus-related distributions?

The following ORP participants are eligible for coronavirus-related distributions:

- A participant who is diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (COVID-19) by a test approved from the Centers for Disease Control and Prevention;
- A participant whose spouse or dependent is diagnosed with the virus SARS-CoV-2 or with COVID-19 by a test approved from the Centers for Disease Control and Prevention;
- A participant who suffers adverse financial consequences as a result of being quarantined, being furloughed or laid off or having work hours reduced, or being unable to work due to lack of child care as a result of such virus or disease; or
- A participant who experiences adverse financial consequences as a result of closing or reducing hours of a business owned or operated by the participant due to such virus or disease.

A participant must certify that he or she is an eligible participant in order to receive a coronavirus-related distributions.

What are coronavirus-related distributions?

Coronavirus-related distributions may be made to an eligible participant even if the participant is not otherwise eligible for a distribution from the ORP. One or more coronavirus-related distributions may be taken from the ORP during the period beginning April 21, 2020, and ending December 31, 2020. In addition, coronavirus-related distributions are:

- Limited to \$100,000 in aggregate per participant from all retirement plans and IRAs
- Not subject to the 10% early distribution penalty tax
- Reported as taxable the year of distribution, but, unless the participant elects immediate taxation, taxed ratably to the participant as ordinary income over three years
- Not eligible for direct or indirect rollover, and not subject to 20% tax withholding; rather, 10% withholding applies unless the participant elects out of withholding
- May be repaid into an eligible retirement plan or IRA within three years of distribution

What should I consider before requesting a coronavirus-related distribution?

Importantly, for retirees who are eligible to participate in retiree health benefits provided by the State of Maryland, **taking a coronavirus-related distribution from the ORP could adversely impact your eligibility for retiree health benefits.** In order to be eligible for retiree health benefits, eligible retirees must be receiving periodic distributions from the ORP, and this option could be foreclosed if there are insufficient funds in a participant's account for the participant to elect to receive periodic distributions. Please consult your campus Benefits Coordinator for more information regarding retiree health care eligibility.

The decision to take a coronavirus-related distribution should not be made lightly. The ORP is an important component of your retirement savings, and taking distributions now that reduce the amount of assets in your ORP account could have serious consequences for meeting your long-term objectives. You should consider whether there are other resources available to you before taking a coronavirus-related distribution.

The Board of Trustees for the Maryland State Retirement and Pension System urges you to carefully consider these factors as you weigh your options regarding coronavirus-related distributions. While the Board believes that coronavirus-related distributions may be able to provide critical financial support in certain cases, it is important that participants have all relevant information before making a decision to take such a distribution. You are also encouraged to consult with your tax or financial advisor to review your current situation, and your short- and long-term financial goals, before making any decisions regarding coronavirus-related distributions.

Please contact a representative at either Fidelity or TIAA for information regarding processing coronavirus-related distributions.