CARES Act
Frequently Asked Questions

Q. What is the CARES Act?

A. On Friday, March 27, 2020 President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act, a $2 trillion appropriations bill that addresses many issues stemming from the coronavirus pandemic. The CARES Act was designed to provide relief and economic stimulus. Some of the CARES Act's provisions apply to Health Savings Accounts (HSA) and Flexible Spending Accounts (FSA), and some apply to retirement savings plans.

Q. I understand the new regulation restores the provision for Over the Counter (OTC) medications to be purchased with Health Care Flexible Spending Account (HCFSA) dollars. Is this true?

A. The law provides that effective January 1, 2020, Healthcare Flexible Spending Accounts funds will now be able to be used to pay for OTC drugs or medicines without a prescription or participants can be reimbursed by submitting a claim. This reverses an Affordable Care Act requirement that has been in effect since January 1, 2011. In addition, expenses for feminine care products will be treated as qualified medical expenses which can be paid by an HSA, FSA. This provision does not have an expiration date.

Q. Can I make a change to my Health Care FSA because I will not be able to spend all my money before June 30?

A. Unfortunately, under current guidance, changes to election amounts due to a change in medical expenses is **not an allowable change in status event**. Nor, is a change in a person's health status a reason to change an election or enroll in a Healthcare FSA. Only a verifiable "change of status" allows employees to change their initial elections into the Healthcare FSA.

Employees have asked if Penn can implement a grace period for Healthcare FSA after the end of the plan year to protect FSA participants from losing funds. Unfortunately, a grace period cannot be implemented in the middle of a plan year and can't be implemented if there is an approved carryover. Penn participants can carry over up to $500 of FSA funds, but this amount cannot be increased. This amount is an IRS-determined amount and must be changed by additional guidance, but at present, the carryover limit remains at $500 for unused Healthcare FSA funds.

The CARES Act does provide that effective January 1, 2020, Healthcare Flexible Spending Accounts funds will now be able to be used to purchase OTC drugs and medicines without a prescription, reversing an Affordable Care Act requirement that has been in effect since January 1, 2011. In addition, expenses for feminine care products will be treated as qualified medical expenses which can be paid with FSA funds. This provision does not have an expiration date.

Q. Can I stop or reduce my Dependent Care Flexible Spending Account (DCFSA) because my children are not in childcare?

A. While the CARES Act does not have specific provisions for DCFAs, parents may now be working from home, or day care may be closed. Alternatively, some parents may be considered to be essential and may need additional day care because schools are closed. Fortunately, the DCFSA election change rules are very broad. Employees may change their election if there's a change in the childcare provider or cost of coverage. The change must be consistent with the reason for the change. For example, if the provider is no longer providing the care (i.e., summer day camp cancels or care is no longer needed) the election can be reduced or eliminated.

For Penn DCFSA participants who are monthly paid, there are only three pays remaining in this plan year. Funds already deducted from your pay cannot be refunded. You can go into Workday to make the changes. You will have another opportunity to adjust your DCFSA during Open Enrollment from April 20 through May 1, 2020.

Q. How will my HSA be impacted?

A: For HDHP with Health Savings Accounts (HSAs), Telehealth and other remote care service expenses paid at $0 copayment will be permitted with no effect to the participant's ability to continue to contribute to their HSA. The provision is effective immediately and will last until December 31, 2021.

Q. Can I make a contribution to my HSA for the 2019 year after April 15?

A. Other relief includes 2019 contributions made to HSAs. Generally, contributions for the calendar year 2019 must be made to HSAs during the 2019 calendar year or by April 15, 2020 at the very latest. A recent set of Q&As from the IRS https://www.irs.gov/newsroom/filing-and-payment-deadlines-questions-and-answers extended the 2019 contributions timeframe to July 15, 2020 to correspond with the tax filing extension.

Q. How does the CARES Act impact the retirement savings plans?

A. This legislation provides financial relief options for individuals and families impacted by COVID-19 by allowing eligible participants to take distributions and loans from their Supplemental Retirement Annuity (SRA) Plan balances.

Q. Who is an "Affected individual" under the plan?

A. "Affected individual" plan participants are defined by the CARES Act as those:

1. Who are diagnosed with COVID-19

2. Whose spouse or dependent are diagnosed, or

3. Who experience adverse financial consequences due to quarantine, being furloughed or laid off, or having work hours reduced due to such virus, being unable to work due to

lack of child care due to such virus, closing or reducing hours of a business owned or operated by the individual due to such virus, or other factors as determined by the Secretary of Treasury.

Q. Does this impact my ability to obtain a loan from my SRA?

A. From March 20, 2020 to September 23, 2020, affected individuals can take loans from the SRA Plan up to the lesser of $100,000 or their total vested balance.

Affected individuals with existing loans can delay normally scheduled repayments for the rest of 2020 and then have their repayments re-amortized (recalculated in light of the interrupted repayments).

Q. I need to take a withdrawal from my retirement because of Coronavirus? Is this possible?

A. Between January 1, 2020 and December 31, 2020, coronavirus-related distributions are available from the SRA Plan. The CARES Act allows up to a total of $100,000 to be taken under this category of distribution, aggregated across the affected individual's IRAs and employer retirement plans.

This category of withdrawal is not subject to the 10% early withdrawal penalty.

Taxation of coronavirus-related distributions can be spread out over three years.

Coronavirus-related distributions can be repaid to an IRA or employer retirement plan (treated as a rollover) within three years.

Support documentation for this category of loans and withdrawals is not required. By applying for a loan or distribution under the CARES Act, you are attesting under penalty of perjury that you are an affected individual.

Q. Am I required to continue my Required Minimum Distributions (RMDs)?

A. Required Minimum Distributions (RMDs) are waived for 403(b), 401(k), 457(b) plans, and IRAs.

RMDs are not waived for defined-benefit pension plans.

For beneficiaries required to take RMDs under the five-year rule, 2020 is not counted as part of the five-year period.