



What is the CARES Act?

On March 27, President Trump signed into law the Coronavirus Aid, Relief and Economic Security (CARES) Act, the U.S. government's fiscal stimulus package designed to mitigate the economic impact of the COVID-19 pandemic. The CARES Act includes temporary withdrawal and temporary loan provisions for certain Individuals or "Qualified Participants" who are participating in 401(k) plans.

Who are Qualified Participants?

Qualified Participants are (i) employees, their spouses or dependents (as defined under Section 152 of the Internal Revenue Code) who are diagnosed with COVID-19 by a CDC approved test; or (ii) employees experiencing, due to COVID-19, adverse financial consequences as a result of quarantine, furlough, layoff, reduced hours, inability to work due to child care, closing of a business they own/operate, and other factors determined by the Secretary of Treasury.

Are the new withdrawal and loan provisions available to all 401(k) plan participants?

No. In order to be eligible for a Coronavirus-related withdrawal or a Coronavirus-related increased loan limit, you must meet the criteria of a Qualified Individual (Participant) as specifically defined in the legislation.

Will the IRS require me to submit documentation proving my need for a Coronavirus-related loan or withdrawal later?

The IRS may come back to you later and request supporting documentation that you were a Qualified Participant under the CARES Act. Please make sure you maintain documentation for your need to access your funds and please keep it in a safe place in case it is needed in the future.

What are the new temporary withdrawal provisions permitted by this Act?

The CARES Act provides for a new type of Coronavirus-related withdrawal of up to \$100,000 for Qualified Participants. A participant must certify that they meet the Qualified Participants criteria. The CARES Act withdrawal provisions are only available for Coronavirus-related withdrawals from 1/01/2020 through 12/31/2020.

What are the special tax provisions for Coronavirus-related withdrawals?

Taxation of a Coronavirus-related withdrawal can be spread over a three-year period without the 20% mandatory federal income tax withholding. In addition, the 10% federal income tax penalty normally applied to an early distribution is being waived and the amount received can be repaid within 3 years from the date of distribution.

Will there be any income taxes withheld from my Coronavirus-related withdrawal?

Yes. Consistent with their current administrative practice on withdrawals, Vanguard will withhold federal income taxes at 10%. However, if you do not want to have any taxes

withheld or if you would like to withhold at a different rate, just let Vanguard know when you call and apply for the Coronavirus-related withdrawal.

When will I have to pay taxes on my withdrawal?

To ease the tax burden, if you are a Qualifying Participant and take a Coronavirus-related withdrawal, you have the option to pay the income taxes on the withdrawn amount over three years. In addition, you can repay all or a portion of the distribution within three years, and the repayments will not be counted toward the annual contribution limits.

I am under age 59 ½ so if I take a Coronavirus-related withdrawal, will I be subject to the 10% penalty on early distributions from my 401(k) account?

No. If you are a Qualifying Participant, the Act provides a waiver of the 10% penalty on early withdrawals (normally applied to withdrawals prior to age 59 ½).

How does the CARES Act temporarily modify the 401(k) Plans loan provision?

The CARES Act will allow loan limits to be increased to the lesser of \$100,000 (from \$50,000), or 100% (from 50%), of the vested account balance for Qualified Participants. A CARES Act loan with this increased limit can only be taken through September 23, 2020 and the CARES Act permits these loan repayments to be delayed for up to a year.

What if I can't afford to make the loan payments during this crisis?

There's further assistance in the CARES Act that allows Qualified Participants to delay making payments on 401(k) account loans. Loan payments due can be deferred for up to one year, however, interest will continue to accrue.

I have an existing loan on my 401(k) account. Can I delay my loan repayments?

You can delay your loan repayments due to the 401(k) Plan from March 27, 2020 through December 31, 2020 for up to one year if you meet the criteria for a Qualified Participants.

I already have one loan outstanding from the 401(k) plan. Will I be able to take a loan for \$100,000?

No. If you currently have a loan from the 401(k) plan, you will not be able to take another loan for the full \$100,000. The \$100,000 limit is the maximum you can take out of your account for all loans combined. If you have a loan outstanding, the maximum amount you can take in a loan will be \$100,000 less the highest outstanding balance over the last 12 months of your current loan.

I already have two loans on my 401(k) account. Will I be able to take an additional loan if I have a financial hardship related to the Coronavirus under the CARES Act?

No. While the CARES Act doubles the current retirement plan loan limit to the lesser of \$100,000 or 100% of the participant's vested account balance for a Qualified Participant, it does not change the maximum number of loans allowed in the 401(k) Plan. If you already have 2 loans from your 401(k) account, you will not be able to take a third loan. You will need to pay off one of the loans you have already before taking another loan.

Can I take a Coronavirus-related loan and a Coronavirus-related withdrawal from my 401(k) account at the same time?

Yes. Under the CARES Act, if you are a Qualified Participant and have a strong financial need, you might be eligible for both a loan of up to \$100,000 and a Coronavirus-related withdrawal of up to \$100,000. However, that doesn't necessarily mean you should take both. You need to consider the impact on your retirement savings and whether you need that money or have another source of funds.

Can I take a Coronavirus-related Withdrawal on all funds in my 401(k) account?

No, you can take a Coronavirus-related Withdrawal only from the pre-tax contributions you have made to your 401(k) account. If you have pre-tax contributions invested through the brokerage window in your 401(k) account and would like to access them for a withdrawal, you must liquidate those assets and move them back to your Vanguard 401(k) account first.

Can I take a Coronavirus-related Loan on all funds in my 401(k) account?

No, you can take a Coronavirus-related Loan from the pre-tax contributions and after-tax contributions you have made to your 401(k) account as well as Company match contributions. If you have any eligible funds invested through the brokerage window in your 401(k) account and would like to access them for a loan, you must liquidate those assets and move them back to your Vanguard 401(k) account first.

Should I take a withdrawal or loan from my retirement plan?

These are extraordinary times, which call for extraordinary measures. You should avoid tapping this resource if you can, especially if you were already not saving enough for retirement. However, if you can't make ends meet because of financial difficulties resulting from COVID-19 and it caused you to be a Qualifying Participant, this may be an alternative for you to consider.

Can I apply for a Coronavirus-related Withdrawal or Loan online or do I have to call Vanguard directly?

You must call Vanguard and speak to a representative to take a Coronavirus-related Withdrawal or Loan. You will need to certify that you are a Qualifying Participant and may need to provide other information to the Vanguard representative.

How does the CARES Act impact my 2020 Required Minimum Distribution or RMD from the 401(k) Plan?

Pursuant to the provisions of the CARES Act, no one is required to take an RMD from a retirement plan or an IRA in 2020. This change affects anyone who turned age 70½ in 2019 or earlier and would have been required to take an RMD. If you've been receiving RMDs and were scheduled for one in 2020, you will still receive it unless you call Vanguard to suspend it. Please note if you receive payments throughout the year and choose to suspend your 2020 RMD, payments will be suspended for the rest of the year. If you already received an RMD in 2020, you can call Vanguard to discuss your options. If you haven't received your 2020 RMD yet and this is your first time receiving one, Vanguard will suspend this year's payment. Please call Vanguard if you need to discuss options to access your money.

I am no longer an active employee at National Grid. Do any of these changes apply to me?

Yes, even terminated or retired employees can take advantage of some of these new provisions. While you are not allowed to take a new loan, if you still have an outstanding loan balance that you are still paying off, you are eligible to delay loan repayments. You can also take a Coronavirus-related Withdrawal to take advantage of the tax savings under that provision.

How do I contact Vanguard?

If you want to take advantage of any of the new features provided under the CARES Act, you must call Vanguard at (800) 523-1188. Representatives are available to take your calls Monday through Friday from 8:30 a.m. through 9:00 p.m., Eastern Time. Wait times may be longer than usual due to high call volumes so please be patient.