



April 2020

National Grid USA Companies' Incentive Thrift 401(k) Plan Changes

Dear National Grid 401(k) Plan Participant:

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief and Economic Security (CARES) Act, a \$2 trillion stimulus package to help Americans deal with financial difficulties resulting from the coronavirus (COVID-19). This new law provides several temporary changes to 401(k) plans that might allow impacted participants to access the assets in their plan account.

National Grid has chosen to adopt these optional, temporary provisions that provide participants affected by COVID-19 with expanded access to their retirement plan assets by allowing them to seek financial relief through withdrawals and loans from their 401(k) plan accounts. As specifically defined in the legislation, these two provisions are available to "Qualifying Participants" only. Therefore, it is important that you fully understand these new provisions, the eligibility requirements and the impact they may have, including potential tax implications, on your current and future 401(k) retirement savings.

Please note that these changes are temporary measures to help Qualifying Participants during these unprecedented times. Effective immediately, the following temporary changes were made to the National Grid USA Companies' Incentive Thrift 401(k) Plans:

- A new coronavirus-related withdrawal is being temporarily added to the plans with special tax rules
- Plan loan limits are being temporarily increased (active participants only)
- Rules for paying back loans are changing

In addition, the legislation waives Required Minimum Distributions (RMDs) for 2020. Vanguard will be sending a separate letter to all participants who are impacted by this provision with any action required.

Eligibility Requirements

Please review the following to determine if you satisfy the necessary eligibility requirements to take advantage of these provisions. The law was enacted to provide Qualifying Participants with access to their funds during this crisis. You must determine if you meet the definition of a Qualifying Participant. If you do meet the eligibility requirements, you must determine how much you will need to address your financial difficulties and you must consider how your 401(k)-retirement savings account will be impacted both now and in the future.

A Qualifying Participant, must satisfy either of the following requirements:

- You, your spouse or a dependent (as defined under Section 152 of the Internal Revenue Code) must be diagnosed with COVID-19 by a test approved by the Center for Disease Control and Prevention; or
- Due to COVID-19, you are experiencing adverse financial consequences due to quarantine, furlough, layoff, reduced hours, inability to work due to lack of child care, closure of, or reduced hours in, a business you own or operate, or other factors determined by the Secretary of the Treasury

You must contact Vanguard at 800-523-1188 to obtain a withdrawal or loan under these provisions. Vanguard will request that you certify that you are a Qualifying Participant and meet one of the eligibility requirements listed above. At this time, you will not need to provide any supporting evidence to Vanguard that you are a Qualifying Participant, however, you should maintain adequate documentation showing how you meet the eligibility requirements as you may need to provide it at a future time to the Internal Revenue Service in case you are audited.

New Temporary Provisions

Coronavirus-Related Withdrawals

Special withdrawals are available for Qualifying Participants who satisfy the criteria above. If you meet the criteria, a coronavirus-related withdrawal is available to you anytime through December 31, 2020.

If you are a Qualifying Participant, you can withdraw up to \$100,000 from the pre-tax contributions in your 401(k) account. The 10% federal penalty tax usually applied to withdrawals from a 401(k) Plan for participants who are under the age of 59 ½ is waived. Additionally, this withdrawal is not subject to the usual mandatory 20% withholding tax. However, Vanguard will withhold federal income tax at a rate of 10% unless you specifically ask them to not withhold any taxes or select a different rate. When you file your income tax return, the tax obligation may be spread over a three-year period. In addition, if you can put the money back into your 401(k) account or an IRA within three years from the date you received the funds, you should be able to obtain a refund for some or all of the tax that you have already paid on the withdrawal. You should consult your tax advisor to ensure that you have taken all the necessary steps when filing your tax returns.

Additionally, the Vanguard distribution fee for this coronavirus-related withdrawal will be waived to help assist you during this difficult time. You must call Vanguard to request this type of withdrawal.

Coronavirus-Related Plan Loan Limits

The new law permits a Qualifying Participant to increase the maximum amount that they may borrow; which is the lesser of \$100,000 or 100% of their vested account balance (excluding core contributions provided by National Grid and any brokerage assets held within the plan). If you meet the criteria, this coronavirus-related loan is available to you for loans taken until September

23, 2020. The loan origination fee that Vanguard normally charges will be waived, however, the annual loan recordkeeping fee will apply. You must call Vanguard to request this type of loan.

Relief for Those Paying Back Loans

The new law allows a Qualifying Participant who has an existing loan(s) to suspend payments due on the loans for up to one year. This also applies to new Coronavirus-related loans taken on or before September 23, 2020 as described above. If you meet the criteria and would like to suspend your existing loan payments, you must call Vanguard. If you are taking a new Coronavirus-related loan, you must tell Vanguard you want to delay the loan repayments when you speak to them about your loan. Vanguard will work with National Grid to have your paycheck deductions stopped. Although your loan payments will be suspended temporarily, please realize that your loan will continue to accrue interest on your outstanding loan balance. Once loan payments resume, your outstanding loan amount will be recalculated, and you will have an extra year to make payments.

Things to Consider When Taking a Coronavirus-Related Withdrawal or Loan

While the idea of having access to additional funds from your 401(k) plan in these difficult financial times may seem appealing, there are things you should consider before taking money out of your account.

The stock market has been fluctuating greatly and is currently significantly below the record highs that were set in February 2020 before the coronavirus pandemic became widespread in the U.S. Keep in mind that any money you remove from your 401(k) account now, whether it is a withdrawal or a loan, may result in a realized loss from the contributions you originally made into your account. In addition, having those funds withdrawn from your account will be a lost opportunity with no potential future growth while the funds are no longer invested.

If you are considering taking out a loan with increased limits, make sure you take into consideration the higher repayment amounts. Repayments on large loans will be substantial and may end up being a significant part of your paycheck when it comes time to make those repayments. Having those additional funds now may result in an income shortfall in the future. See below for an example of the required repayments on a five-year loan at the 401(k) Plan's current interest rate:

	Payroll Deductions	
Loan Amount	Weekly Paid Employees	Monthly Paid Employees
\$50,000	\$208.62	\$904.00
\$75,000	\$312.92	\$1,356.00
\$100,000	\$417.23	\$1,808.00

Additionally, taking large withdrawals or loans may make it harder for you to save for retirement. If you are paying off amounts taken now, you will have less in your paycheck to defer towards your retirement savings.

You may also want to investigate other actions being offered in these uncertain times due to COVID-19 (i.e. student loan forgiveness, student loan deferrals, mortgage payment deferrals, etc.) and weigh the benefits of each against a plan loan or withdrawal, to determine which is the best alternative for you.

Just make sure you take all the above into consideration and assess the potential impact your decisions may have on your retirement savings in the future.

Connect with Vanguard

If you have questions or want to act, please contact Vanguard Participant Services at **800-523-1188**. Associates are available to take your calls Monday through Friday from 8:30 a.m. to 9 p.m., Eastern time, but wait times may be longer because of high call volumes. You can also get additional information on the Vanguard website at vanguard.com/retirementplans.

Sincerely,

National Grid