PCA Retirement & Benefits, Inc.

Pre-Retirement Hardship Distribution Form

CHECKLIST FOR DETERMINING 403(b) HARDSHIP DISTRIBUTIONS

THE FOLLOWING ARE IRS REGULATIONS:

- You must stop your elective contributions to your 403(b) plan for one year upon distribution. Contact your payroll office immediately.
- All hardship distributions are reported on Form 1099R to the IRS
- You must retain documentation to support your claim of a financial hardship. You must also provide copies of your documentation to PCA Retirement & Benefits, Inc. as well (please see below for examples).
- Only your Employee (Salary Reduction) contributions are available for hardship distributions.

This information is based on current analysis of the IRS rules and regulations and should not be construed as legal or tax advice. Tax or legal counsel should be consulted regarding the permissibility of any distribution.

Checklist:

Please complete the following questions to determine if you qualify for a hardship distribution. If you answer no to any of the following questions, you are not eligible for a hardship distribution. All available source of money must be used before a hardship distribution may be taken.

1. Are you able to prove the expense is a “need” and not a “want”? Yes No

Examples of IRS approved needs:

- Uninsured medical expenses.
- Purchase of a primary residence.
- College tuition.
- To prevent eviction or foreclosure on your primary residence.
- Payments for burial or funeral expenses for the participant’s deceased parent, spouse, children or dependents; or
- Expenses for the repair of damage to the participant’s principal residence that would qualify for a casualty deduction.

2. Do you have documentation to support your expense? The amount of the distribution should not exceed the minimum needed to cover the hardship.
Yes No

Examples of IRS documentation to retain in your tax file <u>and that you must forward to PCA Retirement & Benefits, Inc. prior to your distribution request being processed:</u>

- Uninsured medical expenses - ***copies of bills and insurance claim statements***.
- Purchase of a primary residence - ***copy of purchase agreement***.
- College tuition - ***copy of bill for tuition only and not room and board***.
- To prevent eviction or foreclosure on your primary residence – ***copy of eviction notice***.

3. Have you obtained all available distributions (other than hardship distributions) and non-taxable loans under all plans maintained by your employer? Yes No

4. Have you contacted your employer to stop your salary reduction contributions under this plan? Yes No

5. Have you liquidated all reasonable assets such as a boat, vacation home, stocks, savings accounts, certificates of deposit, etc.? Yes No

6. Are you unable to borrow funds from a commercial lending institution? Yes No

DISTRIBUTION DATES -*Please read carefully*

- Completed requests will be processed and a check will be sent (or direct deposit made) generally within 5 business days of receipt.
- Until your request is processed your account will be subject to the investment performance of your chosen investments. If you are concerned about market fluctuations please make the appropriate changes to your investments.

PARTICIPANT INFORMATION -*Required*

NAME: ____DATE OF BIRTH: _______________SOC. SEC. #__________________

(First) (MI) (Last)

ADDRESS: ____

(Street) (City) (State) (Zip)

MARITAL STATUS: ☐ Married ☐ Divorced ☐ Single ☐ Widowed DAYTIME PHONE # (_____) _______-_____________

HARDSHIP CATEGORIES – *Please indicated the category of your financial need*

In compliance with Internal Revenue Code, Hardship withdrawals can be made only under certain conditions. Hardship withdrawals can be requested only to satisfy an immediate and heavy financial need related to the following categories. Please indicate which of the following categories your request falls under:

- ☐ Medical Expense incurred by the participant, the participant's spouse, or any other dependent of the participant;
- ☐ Purchase of a principle residence for the participant;
- ☐ Payment of tuition for the next semester or quarter of post-secondary education for the participant, participant's spouse, or dependent of the Participant;
- ☐ The need to prevent the eviction of the participant from his or her principle residence or for foreclosure on the mortgage of the participant's principle Residence
- ☐ Payments for burial or funeral expenses for the participant's deceased parent, spouse, children or dependents
- ☐ Expenses for the repair of damage to the participant's principal resident that would qualify for a casualty deduction

HARDSHIP REQUIREMENTS – *Please read the list of requirements and sign below.*

The regulations further indicate that a distribution will be deemed to be necessary to satisfy an immediate and heavy financial need of a participant if all of the following requirements are satisfied:

1. The distribution is not in excess of the immediate and heavy financial need of the participant;
2. The participant has obtained all distributions (other than hardship distributions) and all non-taxable loans available under the plan and all other plans maintained by his or her employer;
3. After receiving the hardship distribution, the participant shall be prohibited from making salary reduction contributions* under this plan and elective contributions and employee contributions under any other plan of his employer for at least one year following the receipt of the hardship distribution; and
4. The maximum salary reduction contributions which may otherwise be made by the participant for the taxable year of the participant following the taxable year in which the participant receives the hardship distribution shall be reduced by the amount of the participant's salary reduction contributions* for the taxable year in which participant received hardship distribution.

I certify that this need cannot be satisfied by reimbursement from insurance nor by reasonable liquidations of assets owned by me or my immediate family to the extent that such liquidation would not itself cause an immediate and heavy financial need. <u>I further agree that I will not make salary reduction contributions to any tax-sheltered annuity plan for one year following the hardship withdrawal and have informed my employer concerning this restriction</u>. Maximum salary reduction contributions I may otherwise make for the calendar year following the year of this withdrawal will be reduced by the amount of salary reduction contributions, if any, made prior to the receipt of this hardship withdrawal during this calendar year.

____ ____________________

Signature Date

WITHDRAWAL AMOUNT AND TAX WITHHOLDING-*Required*

Please select one of the following options:

☐ Total Account Withdrawal

☐ Partial Withdrawal Amount $________________

Please select one of the following options:

☐ Withhold 20% Withhold _________%

☐ Do not Withhold Taxes

PCA RETIREMENT & BENEFITS, INC.

IMPORTANT PLAN DOCUMENT STIPULATIONS

- **Pursuant to section 6.07 (a) of the Plan document, a participant can elect only one Pre-Retirement Distribution in a calendar year.**
- **Pursuant to the Loan Policies and Procedures, if a terminated lay employee or an ordained minister no longer a member of a PCA presbytery, who has an outstanding loan, requests a Pre-Retirement Distribution of their 403(b) account balance, the outstanding loan may be canceled and a taxable distribution of the principal balance plus accrued interest will be reflected concurrent with the granting of the Pre-Retirement Distribution.**

If you have any questions about these plan stipulations, please contact RBI.

IMPORTANT TAX NOTICE – Please read carefully

As a consequence of the Unemployment Compensation Amendments (UCA) of 1992, withdrawals, which are not installments or hardship withdrawals, made directly to participants or their beneficiaries, must have 20% withheld for federal tax if the distribution exceeds $200. Also, if under age 59 ½, in most cases a 10% excise tax liability will be incurred in addition to the normal tax on the distribution.

Example: Two participants take a $20,000 distribution prior to attaining age 59 ½. Participant (A) has additional taxable income of $10,000, while Participant (B) has additional taxable income of $40,000. Both will have 20% withheld at the time of distribution and both will be assessed a 10% excise tax on the distribution amount. See following example for explanation of tax implications.

Participant (A) has a salary of $10,000 from which $1,500 is withheld (assuming this is the actual tax liability).

Participant (A) requests a Pre-Retirement Distribution of $20,000 and receives $16,000 because 20% is withheld for tax purposes.

The total taxable income is $30,000 for the year ($10,000 salary + $20,000 Pre-Retirement Distribution). The assumed tax liability of $30,000 is $4,500.

When filing your taxes you must add the 10% penalty of $2,000 for a total tax liability of $6,500. The total amount withheld was $4,500.

At tax time, Participant (A) will owe an additional $2,000.

Participant (B) has a salary of $40,000 from which $8,000 is withheld (assuming this is the actual tax liability).

Participant (B) requests a Pre-Retirement Distribution of $20,000 and receives $16,000 because 20% is withheld for tax purposes.

The total taxable income is $60,000 for the year ($40,000 salary + $20,000 Pre-Retirement Distribution). The assumed tax liability of $60,000 is $12,000.

When filing your taxes you must add the 10% penalty of $2,000 for a total tax liability of $14,000. The total amount withheld was $12,000.

At tax time, Participant (A) will owe an additional $2,000.

SIGNATURES TO AUTHORIZE DISTRIBUTION *-Required*

Please read the following statement and sign below. If you are legally married, your spouse must sign the spousal consent statement in this section.

I have read and understand the information regarding potential tax consequences related to this distribution. I understand the administrative constraints related to this request and acknowledge that the Presbyterian Church in America will retain no further liability to me or my beneficiaries upon completion of this distribution. All decisions regarding this payout are my own.

CERTIFICATION (REQUIRED)

Participant must check one of the following:

_________ I hereby certify that I am currently married.
--Spouse must complete Spousal Consent Section on following page.

_________ I hereby certify that I am married but cannot locate my spouse.
--Do not complete Spousal Consent Section on following page.

_________ I hereby certify that I am not married and that there are no plan benefits payable to a former spouse under the Qualified Domestic R elations Order.
-- Do not complete Spousal Consent Section on following page.

SPOUSAL CONSENT (Required if Married)

As spouse of the above named employee, I have read this consent form and the distribution form to which it relates. I understand that my consent is required for my spouse to receive the distribution as stated on this form. The Plan will not make this distribution unless I sign this consent form.

If this consent form is signed by me and notarized, I understand that by making this distribution to my spouse, the amount available to provide benefits to me on my spouse's death may be reduced. I understand that my consent may not be revoked or withdrawn once given. With this knowledge, I hereby consent to this distribution as requested by my spouse.

_______________________________ _______________________________

SPOUSE'S SIGNATURE DATE SIGNED

NOTARIZED: (Required) EXPIRES:

Sworn to and witnessed by me, this __________ day of __________ (month), __________ (year)

_______________________________ _______________________________

NOTARY PUBLIC DATE SIGNED

EMPLOYEE'S SIGNATURE (Required)

I have read and properly completed the above information and fully understand the elections I have made.

_______________________________ _______________________________

PARTICIPANT'S SIGNATURE DATE SIGNED