

HOUSTON INDEPENDENT SCHOOL DISTRICT 403(b) PLAN

HARDSHIP WITHDRAWAL–STEP-BY-STEP INSTRUCTIONS

The Houston Independent School District 403(b) plan allows for hardship withdrawals in accordance with the IRS 403(b) regulations (Reg. Sec. 1.401(k)-1(d)(3)(i)) and the Pension Protection Act of 2006. All HISD hardship and loan forms and instructions may be accessed from the HISD portal without logging into the site by entering “Updated 403b” in the search field and click on the top link that directs you to the 403(b) Resources page.

A hardship withdrawal is permitted in order to satisfy one of the following financial needs:

- Medical expenses.
- Expenses directly related to the purchase of your principal residence, excluding mortgage payments.
- Tuition and related education fees, room and board, for post-secondary education for the next 12 months.
- Payments to prevent eviction from, or foreclosure on, your principal residence.
- Funeral expenses for your deceased parent, spouse, child or dependent.
- Repairs for uninsured or underinsured damage to your principal home due to theft, storm or other casualty.

For a distribution from a 403(b) plan to be on account of hardship, it must be made on account of an immediate and heavy financial need and may not exceed the amount necessary to satisfy the financial need. The need of the employee includes the need of the employees spouse or dependent.

A distribution is not considered necessary to satisfy an immediate and heavy financial need of an employee if the employee has other resources available to meet the need, including retirement plan loans. Whether other resources are available is determined based on facts and circumstances. A hardship distribution may not exceed the amount of the employee’s need. However, the amount required to satisfy the financial need may include amounts necessary to pay any taxes on penalties that may result from the distribution.

- STEP 1: Go to the HISD Portal website and enter “updated 403b” in the search field and click on the top link that directs you to the HISD 403(b) Resources page. Or log into the HISD Portal and click on Employee Services. Under the “QuickConnects” heading, click “Updated 403(b) and 457 Investment Plan Resources”, then click on “403(b) Hardship Withdrawal Step-by-Step Instructions”. Please read the instructions.
- STEP 2: Contact your 403(b) and 457 vendors to discuss a retirement plan loan. **Under new IRS regulations, employees must first obtain 403(b) or 457 loans or other available distributions under the plan before a hardship withdrawal may be permitted.** However, an employee may elect to take a hardship withdrawal for the purchase of a principal residence without first taking a 403(b) or 457 plan loan.
- STEP 3: If a loan is appropriate, you may access the “Updated 403(b) and 457 Investment Plan Resources” page and click on “403(b) Loan Supplement Form”. Print and complete the form. **If a loan request is denied by the vendor, employees must obtain a loan decline letter from the vendor and include with the completed hardship withdrawal forms.**
- STEP 4: Contact your 403(b) or 457 plan vendor to discuss IRS rules on hardship withdrawals. If a loan is not available and the hardship withdrawal is appropriate, request a loan decline letter and hardship withdrawal forms from your 403(b) vendor.
- STEP 5: Select the “403(b) Hardship Withdrawal Supplement Form” on the “Updated 403(b) and 457 Investment Plan Resources” page on the portal. Print and complete the form.
- STEP 6: Forward completed forms and required documentation to HISD Employee Support Services for verification and Employer / Plan Administrator signature.
- STEP 7: Employee Support Services will review the forms, and process typically within one business day.
- STEP 8: Employee Support Services will forward signed forms via fax, email or regular mail to the appropriate 403(b) vendor as requested.

Properly completed forms and documentation may be submitted to Employee Support Services by fax at: 713-293-9769. Phone: 713-293-9780. Employee Support Services is located at:

HISD Retirement Storefront
812 W 28TH ST – Route 6
Houston, TX 77008

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IMPORTANT HARDSHIP WITHDRAWAL AND OTHER PLAN WITHDRAWAL INFORMATION

Hardship Withdrawals and other Plan Withdrawal Options

Your plan allows for other in-service non-hardship withdrawals (e.g. age 59 1/2, rollover and transfer withdrawals, etc.) and loans. These non-hardship withdrawals must be used before a hardship withdrawal can be made. Hardship withdrawals on your pre-tax account are generally limited to your pre-tax contributions only, and are confirmed by your vendor. You may not request a withdrawal amount in excess of the need detailed in your hardship documentation enclosed. However, the amount required to satisfy the financial need may include amounts necessary to pay any taxes on penalties that may result from the distribution.

Hardship Withdrawal - Elective Deferral Suspension

If a hardship withdrawal is taken, you will be suspended from making contributions to the HISD 403(b) or 457 plans for a period of six months. After suspension, employee is responsible for restarting 403(b) contributions by logging into Retirement Manager at www.aigretco.com/retireman.

Federal and State Tax Withholding

The withdrawals you receive from the plan are subject to Federal income tax withholding unless you elect not to have withholding apply. Withholding will only apply to the portion of your distribution or withdrawal that is included in your income subject to Federal income tax. If you elect not to have withholding apply to your withdrawal, or if you do not have enough Federal income tax withheld from your withdrawal, you may be responsible for payment of estimated tax. You may incur penalties under the estimated tax rule if your withholding and estimated tax payments are not sufficient.

You may elect not to have withholding apply to your hardship withdrawal or to have a specific percentage withheld. If less than the maximum amount available is requested, you may increase the distribution by the applicable tax withholding.

Payment Policies

All withdrawals will be processed according to the Plan and each vendor's Individual Agreement.

Acknowledgement

The IRS requires that you receive a written Special Tax Notice Regarding Plan Payments prior to receiving such payment. Please read it carefully to understand the rollover rules and the special tax treatment regarding the mandatory income tax withholding rules on lump sum and installment distributions not directly rolled over to another qualified retirement plan or IRA that accepts rollover distributions. Hardship withdrawals and loan distributions are not eligible for rollover to an IRA.

Dependent

The definition of "dependent" is important in the application of the "deemed hardship" withdrawal standards that pertain to 403(b) plans under regulations. A dependent must either be a "qualifying child", "qualifying relative" or "qualifying beneficiary" (as defined below) for the calendar year in which a hardship withdrawal is requested (assuming the participant's tax year is the calendar year). Individuals (other than an adopted child if other requirements are met) who are not United States citizens or nationals cannot qualify as a dependent unless the individual is a resident of the United States, Mexico, or Canada.

Qualifying Child

A child will satisfy the requirements of a "qualifying child" based on the child's relation to you and if other requirements are met.

First, a qualifying child includes a participant's son, daughter, stepson, stepdaughter, adopted child, eligible foster child, or a descendant of such a child. The term also includes a brother, sister, stepbrother, or stepsister of the participant or any descendant of such relative.

Second, the child must have the same "principal place of abode" as the participant for more than half of the year.

Third, the child must not have attained age 19 as of the close of the calendar year (assuming the participant's tax year is the calendar year). However, if the child is a student, the child must not have attained the age of 24 by the close of the calendar year. A student, generally, is an individual who during each of 5 calendar months during the taxable year is a full-time student. Please note that these age limits do not apply to a child with a total and permanent disability.

Finally, in order to be a qualifying child, the child must not have provided over ½ of his or her own support for the calendar year (scholarships are not included in that determination). Special rules apply in the case of divorced parents. For more information please contact your tax advisor.

Qualifying Relative

A qualifying relative is a child (or descendant of a child) of the participant, a brother, sister, stepbrother, stepsister, father, mother, or the ancestor of a father or mother of the participant. A qualifying relative also includes a stepfather, stepmother, a son or daughter of a brother or sister of the participant, a brother or sister of the father or mother of the participant, or a son-in-law, daughter-in-law. A qualifying relative may include an individual who during the taxable year "has the same principal place of abode as the participant and is a member of the participant's household."

An individual does not meet the requirements of a qualifying relative unless the participant provides over ½ of the relative's support for the calendar year. There are special rules for multiple supports. For more information please contact your tax advisor.

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HARDSHIP WITHDRAWAL INSTRUCTIONS & QUALIFYING DOCUMENTS LIST

MEDICAL EXPENSES

Expenses for (or necessary to obtain) "Medical Care" that would be deductible under section 213(d) (determined without regard to whether the expenses exceed 7.5% of adjusted gross income).

The participant qualifies for a hardship withdrawal for "Medical Care" which is received by the participant or the participant's spouse, dependents, or primary beneficiary under the employer's plan. A participant may *not* receive a hardship withdrawal for medical expenses which are paid by insurance or which are otherwise reimbursed. Please refer to the definition for dependents on cover page help you determine if you qualify for a hardship withdrawal due to medical expenses of someone who you believe may qualify as your dependent.

"Medical Care" for this purpose includes expenses for (or necessary to obtain):

1. the diagnosis, cure, mitigation, treatment, or prevention of disease or for transportation primarily for and essential to such "Medical Care"
2. the qualified long-term care services, including necessary diagnostic, preventive, therapeutic, curing, treating, mitigating, and rehabilitative services as well as maintenance or personal care services which are required by a chronically ill individual and are provided pursuant to a plan of care prescribed by a licensed health care practitioner.
 - The term "chronically ill individual" is further defined IRC Section 7702B(b)(2) but generally refers to an individual who is unable to perform fundamental activities of daily living or has severe cognitive impairment.
2. for insurance (premiums) covering care described in the above two paragraphs
3. for lodging away from home primarily for and essential to "Medical Care" described in '1' above
4. for prescribed drugs that require a prescription of a physician

"Medical Care" does *not* include cosmetic surgery or similar procedures unless it is necessary to ameliorate a deformity related to a congenital abnormality, a personal injury resulting from an accident or trauma, or a disfiguring disease.

Please check the documentation that you have enclosed and be sure to indicate the total amount requested. In the event that the amount requested is more than the amount available in your account for withdrawal, the withdrawal will be limited to the amount available in your account. Please note that when there is a submission of more than one bill, you must circle the subtotals form each and provide a summation of the total amount requested.

Medical Expenses Qualified Documentation (Check all that apply and enclose with Vendor Hardship Distribution Supplement Form and documentation)

- Medical Expenses: Copy of the medical bill or insurance claim (including Copy of Explanation of Benefits Form from your insurance carrier) listing the medical expenses and totals on letterhead of the medical or insurance provider showing the patient or the insured is the participant or the participant's spouse, dependent or primary beneficiary. Bill must not be older than 1 year. Itemized insurance and medical bills must show the insured and uninsured portion of the expenses. If doctor, hospital, or other health care bills are not covered, then participant must certify below that these bills are unreimbursed.
- Long-Term Care Services: Copy of the service bill or insurance claim listing the services and dollar amounts of expenses on letterhead of the services provider or insurance provider showing the patient or the insured is the participant or the participant's spouse, dependent or primary beneficiary. Bill must not be older than 1 year.
- Insurance Premiums for Medical Expenses or Long-Term Care Services: Copy of insurer's bill for premiums on letterhead showing the patient or the insured is the participant or the participants' spouse, dependent or primary beneficiary. These premiums must not be reimbursed by an Employer. Bill must not be older than 1 year.
- Lodging expenses: Copy of bill from provider on letterhead showing the participant or the participant's spouse, dependent or primary beneficiary as customer with accompanying medical expense bill indicating the dates of service. Bill must *not* be older than 1 year.
- Prescription drugs: Copy of receipt from provider that indicates the name of the drug prescription and the dollar amount charged and paid, as well as the name of the participant or the participant's spouse, dependent or primary beneficiary. Receipt must not be older than 90 days.

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PURCHASE OF A PRINCIPAL RESIDENCE

Expenses directly related to the purchase of a principal residence for the employee (excluding mortgage payments). Under IRS rules, an employee may elect to take a hardship withdrawal for the purchase of a principal residence without first taking a 403(b) or 457 plan loan.

The participant can only qualify for a hardship withdrawal for this reason when he is purchasing a dwelling that will be his principal residence. This means that he expects to move into the residence within a fairly short period of time after purchasing it.

Please check the documentation that you have enclosed and be sure to indicate the total amount requested. In the event the amount requested is less than the amount available in your account, the withdrawal will be limited to the amount available in your account.

Purchase of a Principal Residence Documentation (Check all that apply and enclose with Vendor Hardship Distribution Supplement Form and documentation)

- Copy of the Purchase and Sales Agreement and the Good Faith Estimate: Must specify the dollar amount of purchase and the name of the participant as purchaser. Signature Date must be within last 90 days. This must be fully executed (signed by purchaser and seller).
- Copy of the Buyer and Seller Contract: Must specify the dollar amount of purchase and the participant as buyer. Signature Date must be within the last 90 days. This must be fully executed (signed by purchaser and seller).
- Copy of Mortgage Commitment Letter: Must specify the dollar amount of purchase and the participant as buyer. Signature Date must be within the last 90 days.

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PAYMENT OF TUITION & RELATED FEES

Payment of tuition, related educational fees, and room and board expenses, for up to the next 12 months of post – secondary education for the employee, or the employee’s spouse, children, dependents, or primary beneficiary under the employer’s plan.

The participant can only qualify for a hardship withdrawal for this reason when the participant or the participant’s spouse, children, dependents, or primary beneficiary have a bona fide expense related to the payment of tuition, related educational fees, and room and board expenses, for up to the next 12 months of post – secondary education. Please refer to the definition for dependents on the cover page.

Post – secondary education generally refers to education that commences after the completion of high school. Expenses that would qualify for a hardship withdrawal would include tuition, fees charged for the use of technological or other facilities required for the post – secondary program (such as computer fees or gym facility fees), dormitory expenses and expenses of a room or apartment close to the educational facility, and meals while attending the educational program. Loan repayments of student loans are not educational expenses for this purpose.

Please check the documentation that you have enclosed and be sure to indicate the total amount requested. In the event that the amount requested is less than the amount available in your account, the withdrawal will be limited to the amount available in your account. Please note that when there is a submission of more than one bill, you must circle the subtotals from each and provide a summation of the total amount requested.

Payment of Tuition & Related Fees Documentation (Check all that apply and enclose with Vendor Hardship Distribution Supplement Form and documentation)

- Copy of the tuition bill (or estimate of tuition bill that is signed by the educational institution) that appears on letterhead paper containing the name of the educational institution and the name of the participant or the participant’s spouse, children, dependents, or primary beneficiary. Must specify the amount due and must refer to a future period ending not more than one year later than the date of submission.
- Copy of the bill for dormitory fees or housing fees (or estimate of dormitory fees that is signed by the educational institution) that appears on letterhead paper containing the name of the dormitory or housing provider and the name of the participant or the participant’s spouse, children, dependents, or primary beneficiary. A copy of a lease indicating rent and signed by participant or student may be substituted. The bill must specify the amount due and must refer to a future period ending not more than one year later than the date of submission.
- Copy of the bill for board (meals) expenses (or estimate of boarding expenses that is signed by the owner or manager of the boarding establishment) that appear on letterhead paper containing the name of the establishment providing the board and meals and the name of the participant or the participant’s spouse, children, dependents, or primary beneficiary. Must specify the amount due and must refer to a future period ending not more than one year later than the date of submission.

NOTE: Only estimates must be signed by the education institution (or owner or manager of the room and board establishment).

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PAYMENTS TO PREVENT EVICTION OR FORECLOSURE

Expenses necessary to prevent the eviction of the employee from the employee's principal residence or foreclosure on the mortgage of that residence

The participant can only qualify for a hardship withdrawal for this reason if he must pay some dollar amount by some certain date in order to prevent foreclosure or avoid eviction.

Please check the documentation that you have enclosed and be sure to indicate the total amount requested. In the event that the amount requested is less than the amount available in your account, the withdrawal will be limited to the amount available in your account. Please note that when there is a submission of more than one bill, you must circle the subtotals from each and provide a summation of the total amount requested.

Payments to Prevent Eviction or Foreclosure Documentation (Check all that apply and enclose with Vendor Hardship Distribution Supplement Form and documentation)

- Copy of the eviction notice printed on letterhead of owner of the unit or a real estate or condominium management company that names the participant. Date of the notice must be within the last 90 days. Must specify the amount due and indicate that eviction proceeding will follow if the amount is not paid by a due date. *If the eviction notice is not signed and notarized by the landlord or does not specify the amount of rent that is past due, the eviction notice must be accompanied by a signed letter from the landlord that is either on the landlord's letterhead or is notarized, verifies that the participant's rent is past due, includes a monthly breakdown of the past due amount, and states that the landlord is attempting to evict the participant by a specific date.
- Copy of the foreclosure notice printed on letterhead of bank or court naming the participant in a foreclosure proceeding or judgment. Must specify the amount due. Date of the notice must be within last 90 days.
- Copy of a notice naming the participant as obligee or debtor issued by a bank or mortgage company that describes that there will be an acceleration of the mortgage note if the delinquency remains unpaid, dated no earlier than 90 days before withdrawal date. Must specify the amount due.

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PAYMENT FOR BURIAL OR FUNERAL EXPENSES

Payments for burial or funeral expenses for the participant's deceased parent, spouse, children, dependents, or primary beneficiary under the employer's plan.

The participant can only qualify for a hardship withdrawal for this reason due to the death of the participant's parent, spouse, children, dependents, or primary beneficiary. Please refer to the definition for dependents on the cover page.

Please check the documentation that you have enclosed and be sure to indicate the total amount requested. In the event that the amount requested is more than the amount available for withdrawal in your account, the withdrawal will be limited to the amount available in your account. Please note that when there is a submission of more than one bill, you must circle the subtotals from each and provide a summation of the total amount requested.

Payment for Burial or Funeral Expenses Documentation (Check all that apply and enclose with Vendor Hardship Distribution Supplement Form and documentation)

- Copy of the burial or funeral expenses printed on letterhead of funeral home or cemetery management company, church, synagogue or other service provider naming the parent, child, spouse, dependent, or primary beneficiary. The bill must specify the dollar amount due or estimate of the cost of burial or funeral.

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EXPENSES FOR THE REPAIR OF DAMAGE TO THE EMPLOYEE'S PRINCIPAL RESIDENCE THAT QUALIFIES FOR A CASUALTY DEDUCTION

Expenses for the repair of damage to the employee's principal residence that would qualify for the casualty deduction under section 165 (determined without regard to whether the loss exceeds 10% of adjusted gross income)

The participant can only qualify for a hardship withdrawal for this reason when there is a casualty loss to his principal residence that arose from fire, storm, shipwreck, or some other casualty, or from theft. Only the portion of the expense that is not covered by insurance is eligible for this purpose.

The amount of loss is based upon the lesser of the difference between the market value of the property before and after the casualty occurrence or the loss in the basis of the property.

Because of the difficulties of ascertaining the timing of the casualty loss and the dollar amount of the loss, your claim can only be processed through this procedure using the specified documents, and you are strongly urged to discuss with your own tax, accounting or legal advisors the proper measurement of the amount of the casualty deduction loss and the taxable year for which it qualifies as a casualty loss.

Please check the documentation that you have enclosed and be sure to indicate the total amount requested. In the event that the amount requested is more than the amount available in your account for withdrawal, the withdrawal will be limited to the amount available in your account. Please note that when there is a submission of more than one bill, you must circle the subtotals from each and provide a summation of the total amount requested.

Documentation (Check all that apply and enclose with Vendor Hardship Distribution Supplement Form and documentation)

- Copy of repair of damage estimates or expenses furnished by insurance company. Please note that the costs for performing the work to bring the damaged item(s) to its pre-damaged condition may not reflect the amount of loss that can be claimed as a casualty deduction, and the hardship withdrawal amount cannot include any amounts reimbursed to you from insurance coverage or otherwise.
- Copy of an insurance company denial of claim (due to non-coverage), but indicating the dollar amount of damage or with an estimate of the amount of damage and an accompanying photograph of the damaged property.