

HRSA-ILA Annuity & Savings Plan Summary of Hardship Distribution and Supporting Documentation

Your Annuity & Savings Plan is intended to provide you with a more secure retirement.

However, situations may arise when you have an immediate and heavy financial need for money which cannot be satisfied from other sources.

To qualify for a hardship distribution from the HRSA-ILA Annuity & Savings Plan your hardship must fall into one of these four categories:

1. Unreimbursed Medical Care
2. Prevention of Eviction or Foreclosure
3. Tuition and related Educational Expenses
4. Casualty Loss on Principal Residence

Please review the applicable section to determine if you qualify for a hardship distribution and for the documentation that you must submit with your application. A worksheet for each category of hardship is available to assist you in completing your application.

Funds for a hardship distribution may only be drawn from the voluntary contributions that you have made to the Annuity & Savings Plan and cannot exceed the amount required to meet the need created by such a financial hardship. The funds eligible for inclusion in a hardship distribution do not include earnings on the voluntary contributions and they do not include amounts rolled over from prior plans.

A member who receives a hardship distribution from the Plan is not permitted to make voluntary contributions to the Annuity & Savings Plan for a minimum of six months after a distribution.

To apply for a hardship distribution, you are required to furnish specific documentation to HRSA-ILA that details the financial hardship, the amount, and in whose name those debts apply to. If you are married, you are required to submit a spousal waiver that has been signed by your spouse and notarized.

After you have returned the documentation described in this summary, someone in the HRSA-ILA office will call you to schedule an appointment to complete your application for a hardship distribution.

A completed application for hardship withdrawal consists of:

- Participant Hardship Statement
- A hardship withdrawal worksheet and supporting documentation
- A signed and notarized “Waiver of Qualified Preretirement Survivor Annuity”, if you are married
- Deferred Salary Agreement
- Supporting documentation

**A DISTRIBUTION WILL BE DELAYED IF ALL REQUIRED ITEMS
HAVE NOT BEEN COMPLETED**

1. Medical Care – Medical expenses for you, your spouse or your dependents may qualify for hardship distribution. Generally any medical expenses that are considered by the IRS to be a deductible medical expense will qualify for a hardship distribution. Complete the Worksheet for Hardship Withdrawal for Medical Expenses

A. You may receive a hardship distribution for the following items:

- ◆ Operations/treatment affecting any part of the body
- ◆ Obstetrical expenses
- ◆ Therapy
- ◆ X-ray treatments
- ◆ Hospital services
- ◆ Nursing services
- ◆ Medical services
- ◆ Laboratory services
- ◆ Surgical services
- ◆ Dental services
- ◆ Diagnostic services
- ◆ Healing services
- ◆ Medicine and drugs, if legally procured
- ◆ Artificial teeth
- ◆ Artificial limbs
- ◆ Ambulance hire
- ◆ Lodging (while away from home primarily for and essential to medical care, limited to \$50 per night)
- ◆ Transportation for and essential to receipt of medical care
- ◆ Eyeglasses
- ◆ Seeing eye dog
- ◆ Wheelchair
- ◆ Crutches
- ◆ Inclinator
- ◆ Air conditioner, detachable from property and purchased only for the use of a sick person
- ◆ Capital expenditures, operation and maintenance for permanent improvement or betterment of the property advised by a physician (example, an elevator for an afflicted individual), limited to the difference between the increase in property value due to the improvement and the cost of installing the improvement.
- ◆ Attendance at a special school for a mentally or physically handicapped individual
- ◆ Qualified long-term care services defined as: necessary diagnostic, preventative, therapeutic, curing, treating, mitigating, and rehabilitative services, and maintenance or personal care services, that are required by a chronically ill person as certified by a healthcare practitioner. An individual is “chronically ill” if he/she is unable to perform at least 2 activities of daily living (e.g., eating, toileting, transferring, bathing, dressing, and continence); or requires substantial supervision to protect the individual’s health and safety due to severe cognitive impairment.

- ◆ Premium payments under a qualified long-term care insurance contract. The payment of these premiums is limited to the following amounts:

<i>Age before the Close of the Taxable Year</i>	<i>The Annual Limitation is:</i>
40 or less	\$200
More than 40 but not more than 50	\$375
More than 50 but not more than 60	\$750
More than 60 but not more than 70	\$2,000
<i>More than 70</i>	<i>\$2,500</i>

Indexing: For any taxable year after 2009, each of the above dollar amounts shall be increased by the medical care cost adjustment (as prescribed by the Treasury Secretary) each calendar year. Any increase that is not a multiple of 10, shall be rounded to the nearest multiple of 10.

- ◆ Medical insurance premiums including COBRA premiums for a 12 month period.

B. You cannot receive a hardship distribution for the following Medical Care Expenses:

- ◆ Amounts expensed for illegal operations/treatments
- ◆ Toiletries, cosmetics, or sundry items
- ◆ Expenditures beneficial to the general health (i.e., vacations, hot tub, swimming pool)
- ◆ Capital expenditures, in general, except as described in “A” above.
- ◆ Insurance policies providing indemnity against loss of income or for loss of life, limb, sight
- ◆ Expenses for surgery solely for cosmetic reasons.

C. Documentation - If you request a hardship distribution for medical expenses, you must have documentation to support your request. HRSA-ILA requires that this documentation be attached to your application. If you cannot produce the documentation to substantiate your hardship request, your application will be denied. The following documentation is acceptable:

1. Some Medical Care Expenses are paid for by your insurance company. Others are not. For the portion of those Medical Care Expenses that your insurance company will not pay (unreimbursed qualifying Medical Care expenses):

- ◆ Bill for service
- ◆ Explanation of Benefits for each bill submitted indicating:
 - Service rendered that qualifies as a Medical Care expense
 - Date of such service
 - Amount of coverage paid
 - Amount currently owed
 - If you cannot produce an Explanation of Benefits, you must obtain a copy from the insurance company. If the company cannot provide a copy, you may obtain a copy of the medical history with respect to the service rendered, including any amount paid by the insurance company.

2. Some Medical Care Expenses will not be covered at all by your insurance company. For qualifying Medical Care expenses for treatment not covered by the Participant’s insurance policy:

- ◆ Explanation of Benefits evidencing a denial of coverage; or
- ◆ A letter from the insurance company stating that no Explanation of Benefits is available.

3. If you are required to prepay certain Medical Care Expenses at the time you receive treatment:

- ◆ Estimate of the cost for the procedure from the insurance company
- ◆ Letter from the medical professional stating that payment is required either in advance or at the time of the procedure.

4. If you will be paying for your Medical Care Expenses in installments:

- ◆ Explanation of Benefits evidencing the service rendered and that the lifetime maximum permitted by the insurance company has been reached.
- ◆ A current bill showing the remaining amount to be paid.

2. Prevention of Eviction or Foreclosure

A. You may receive a hardship if the distribution is necessary for the following:

- ◆ To prevent eviction from your principal residence.
- ◆ To prevent foreclosure on the mortgage of your principal residence.
- ◆ The amount of the hardship may be in an amount sufficient to bring all payments current as of the date such funds are received.

B. If you request a hardship distribution to prevent eviction or foreclosure, you must have documentation to support your request. HRSA-ILA requires that you produce this documentation when you apply. If you cannot produce the documentation to substantiate your hardship request, your application will be denied. Complete the Worksheet for Hardship Withdrawal for Prevention of Eviction or Foreclosure. The following documentation is acceptable.

1. Eviction from the principal residence:

- ◆ Eviction notice issued by the landlord, apartment complex, court, or any other authorized entity and shall state the amount to be paid to prevent eviction and that such payments are past due.
- ◆ If the eviction notice is issued by an individual rather than a rental organization, you must also supply a copy of the lease agreement and a signed statement from the landlord.

2. Foreclosure on the principal residence:

- ◆ Notice of foreclosure, (stating that proceedings have commenced or will commence either immediately or on a specific date), which must:
 - Be issued by a bank, mortgage company, or other qualified lending institution.
 - State the amount due to bring the mortgage current
 - State that foreclosure proceedings will commence immediately if the amounts owed are not paid.

3. Payment of Tuition and Related Education Fees

A. You may receive a hardship for the following fees and expenses for you, your spouse or your dependent children:

- ◆ Tuition
- ◆ Related educational fees, including books
- ◆ Room and board expenses

B. The fees and expenses must be incurred by one of the following accredited institutions:

- ◆ State-sponsored university
- ◆ State-sponsored college
- ◆ State-sponsored vocational school
- ◆ State-sponsored technical school
- ◆ Private university
- ◆ Private college
- ◆ Private vocational school
- ◆ Private technical school
- ◆ Institution must require a high school diploma or recognized equivalent for admission
- ◆ Institution must award a bachelors, graduate or professional degree or minimum two-year academic credits toward a bachelors degree

C. Tuition and Related Educational Expenses Shall NOT INCLUDE:

- ◆ Non-academic related expenses
- ◆ Courses designed to sell products
- ◆ Programs that have been conducting classes for less than two years

D. If you request a hardship distribution for tuition and related educational fees, you must have documentation to support your request. HRSA-ILA requires that you produce this documentation with your application. If you cannot produce the documentation to substantiate your hardship request, your application will be denied. Complete the Worksheet for Hardship Withdrawal for Tuition and Related Education Expenses. The following documentation is acceptable:

1. For initial enrollment

- ◆ A current tuition bill indicating:
 - Name of the student
 - Courses in which the student is enrolled
 - Stating whether expenses for room and board are included
 - Summary of Financial Aid
- ◆ In lieu of a current tuition bill, a letter from the Office of the Registrar as proof of acceptance to the institution and listing tuition charges.

2. For initial and on-going enrollment:

- ◆ A current tuition bill indicating:
 - Name of the student
 - Courses in which the student is enrolled

- Stating whether expenses for room and board are included
 - Summary of Financial Aid
- ◆ The tuition bill may also be used to calculate anticipated financial need for the remainder of the academic year.

3. For summer sessions:

- ◆ A current tuition bill indicating:
- Name of the student
 - Courses in which the student is enrolled
 - Stating whether expenses for room and board are included
 - Summary of Financial Aid

Important: Use this form for or hardship withdrawals when the "safe harbor" determination of hardship is used by the Plan.

HRSA-ILA Annuity & Savings Plan Participant Hardship Statement

Submit this form to HRSA-ILA.

Participant's Name _____
first middle last
Social Security Number _____ Port Number _____

HARDSHIP REQUEST

1. I request a withdrawal of \$ _____.
This hardship is requested for the following reason(s):
- Expenses for Medical Care** for myself, my spouse, or my dependent.
 - Tuition and Related Education Fees** including room and board expenses, for the next 12 months for post-secondary education for myself, my spouse, or my dependent.
 - Prevention of Eviction or Foreclosure** on my primary residence.
- Please attach the applicable worksheet detailing the expense for which this hardship is requested. If the expense is for someone other than the Participant, list the recipient and his or her relationship to the Participant on the expense document.**
2. I certify that the withdrawal amount requested is not more than my immediate and heavy financial need, plus applicable tax withholdings due to the reason checked in item 1, above.
3. I Accept Decline to have such additional amounts as are necessary to pay anticipated federal, state, (Recommended) or local income taxes or excise taxes due to this distribution.

Consult your tax advisor and the Special Tax Notice for additional details on tax consequences.

Refer to the Explanation of Hardship and Supporting Documentation for additional detail on sources that can be withdrawn.

Consequence of Withdrawal: I understand that my elective deferral and my after-tax contributions to this Plan are suspended for a 6-month period after the hardship withdrawal is made. **I understand there will be a charge deducted from my account of \$160 for each distribution application.**

SIGNATURE

- I am married and a notarized Waiver of Qualified Pre-retirement Survivor Annuity form is attached.
Distribution payment will be delayed if all required items have not been completed.

Submission of false or fraudulent information for the purpose of obtaining a benefit is a fraud, which under VA Code §18.2-178 is a crime punishable under applicable provisions of Virginia Law.

Participant Signature _____

Date _____

HRSA-ILA Annuity & Savings Plan

1355 International Terminal Blvd • Norfolk VA 23505 • 757 457-7090

Rev. date 6/27/17

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1. What is a Qualified Preretirement Survivor Annuity (QPSA)?

Your spouse has an account in the Plan. The money in the account that your spouse is entitled to receive is called the vested account. You are entitled to a death benefit payable from your spouse's vested account if your spouse dies before beginning to receive retirement benefits (or, if earlier, before the beginning of the period for which termination benefits are paid). You have the right to receive this monthly payment for your life beginning upon your spouse's death. The special death benefit is called a Qualified Preretirement Survivor Annuity (QPSA). The Plan will pay this death benefit in a one-sum cash payment, rather than an annuity, if the value of the death benefit is less than the Plan's minimum cash out amount (contact the Administrator for details). The Plan may exclude rollover contributions in determining account balance.

2. Can Your Spouse Choose Other Beneficiaries to Receive the Account?

Your right to the QPSA benefit provided by federal law cannot be taken away unless you agree to give up that benefit. If you agree, your spouse can choose to have all or a part of the death benefits paid to someone else. The person your spouse chooses to receive the death benefits is usually called the "beneficiary." For example, if you agree, your spouse can have the death benefits paid to his or her children instead of you.

3. How Can Your Spouse's Choice of a Loan or Distribution Change the Way Benefits are Paid?

If you consent to your spouse's request for a loan or distribution from the Plan, the QPSA benefit may be reduced. *Example: Robin, the participant, elects to receive a loan from the Plan in the amount of \$2,000. To obtain the loan, Marion, Robin's spouse, must consent to the loan. If she consented and Robin dies soon after the loan, Marion may only be entitled to a benefit of the remaining account balance less the outstanding balance of the loan.*

4. Do You Have to Give Up Your Right to the Qualified Preretirement Survivor Annuity?

Your choice must be voluntary. It is your personal decision whether you want to give up your right to the annuity.

5. Can Your Spouse Make Future Changes if You Sign this Form?

If you sign this form, you agree that some or all of the account balance may be withdrawn from the Plan as requested by your spouse via a voice response system, the Internet, or an employee activity form. Your spouse cannot change the withdrawn amount after payment is made.

6. Can You Change Your Mind After You Sign this Form?

You cannot change this form after you sign it. Your decision is final.

7. What Happens to this Agreement if You Become Separated or Divorced?

You may lose your right to the QPSA if you become legally separated or divorced from your spouse even if you do not sign this form. Under such circumstance, however, you may be able to get a special court order, called a Qualified Domestic Relations Order or "QDRO," that specifically protects your rights to receive the QPSA or gives you other benefits under this Plan. If you are thinking about separating or getting a divorce, you should acquire legal advice on your rights to benefits from the Plan.

8. What Should You Know Before Signing this Form?

This is a very important decision. Think very carefully about whether you want to sign this form. Before signing, be sure you understand what death benefits you are eligible to receive and the effect of reducing or eliminating the account balance. Be sure to review any applicable employee activity form completed by your spouse and the Summary Plan Description (SPD). For additional information, you may contact the Plan Administrator.

Hardship Withdrawal Request for Payment of Tuition and Related Education Fees

Payment of tuition and related educational fees, and room and board expenses, for the next twelve months of post-secondary education for the Participant or the Participant's spouse or dependent.

Form Updated 1/9/2020

A. You may receive a hardship for the following fees and expenses. Please itemize:

1. \$ _____ Tuition
2. \$ _____ Related educational fees, including books
3. \$ _____ Room and board expenses
4. \$(_____) Less: Total financial aid.

\$ _____ **GRAND TOTAL QUALIFYING EXPENSES.**

LIMITED TO THE LESSER OF:

(HRSA-ILA FILLS THIS IN FROM DATA SUPPLIED BY MASSMUTUAL)

\$ _____ **TOTAL VOLUNTARY CONTRIBUTIONS TO THE ACCOUNT (SALARY DEFERRALS) BEFORE EARNINGS; OR**

\$ _____ **TOTAL VOLUNTARY ACCOUNT BALANCE**

B. The fees and expenses must be incurred by one of the following accredited institutions: (Check One That Applies)

_____ State-sponsored university

- _____ State-sponsored college
- _____ State-sponsored vocational school
- _____ State-sponsored technical school
- _____ Private university
- _____ Private college
- _____ Private vocational school
- _____ Private technical school
- _____ Institution must require a high school diploma or recognized equivalent for admission
- _____ Institution must award a bachelors, graduate or professional degree or minimum two-year academic credits toward a bachelors degree

C. Tuition and Related Educational Expenses Shall NOT INCLUDE:

- ◆ Non-academic related expenses
- ◆ Courses designed to sell products
- ◆ Programs that have been conducting classes for less than two years
- ◆ Student loan repayments

D. If you request a hardship distribution for tuition and related educational fees, you must have documentation to support your request. HRSA-ILA requires that you produce this documentation. If you cannot produce the documentation to substantiate your hardship request, your application will be denied. The following documentation is acceptable:

(Check off documentation you are providing)

1. For initial enrollment

- _____ A current tuition bill indicating:
- Name of the student
 - Courses in which the student is enrolled
 - Stating whether expenses for room and board are included in the hardship request.

_____ In lieu of a current tuition bill, a letter from the Office of the Registrar as proof of acceptance to the institution and listing tuition charges.

_____ A standard Financial Aid Form (FAF) disclosing total financial aid received.

2. For initial and on-going enrollment:

_____ A current tuition bill indicating:

- Name of the student
- Courses in which the student is enrolled
- Stating whether expenses for room and board are included in the hardship request.

_____The tuition bill may also be used to calculate anticipated financial need for the remainder of the academic year.

_____ A standard Financial Aid Form (FAF) disclosing total financial aid received.

3. For summer sessions:

_____ A current tuition bill indicating:

- Name of the student
- Courses in which the student is enrolled
- Stating whether expenses for room and board are included in the hardship request.

_____ A standard Financial Aid Form (FAF) disclosing total financial aid received.

Submission of false or fraudulent information for the purpose of obtaining a benefit is a fraud, which under VA Code §18.2-178 is a crime punishable under applicable provisions of Virginia Law.

To receive the hardship withdrawal requested above, I hereby certify, acknowledge and agree that the following requirements have been or will be satisfied:

- The amount requested pursuant to this hardship withdrawal request does not exceed the amount of my financial need for which I am requesting a hardship withdrawal, after applicable tax withholding and penalties.
- I have obtained all currently available distribution amounts available to me under this and any other plan of my plan sponsor/employer, including any in-service withdrawals from rollover and/or after tax employee contributions (in accordance with the plan document and applicable law). If there are additional amounts available for withdrawal under the plan other than for hardship reasons. I certify

that such amounts (if any) have been paid to me prior to this request for a hardship withdrawal.; and

- I have sufficient cash or other liquid assets to satisfy the financial need for which I am requesting a hardship withdrawal.
- If I have not been required to supply documentation of my hardship event and hardship amount to my Plan Administrator in connection with my hardship withdrawal request, I understand and agree that I am required to maintain records of such documentation of the hardship event and amount, and I will provide such documentation to my Plan Administrator or its designee upon request.

Form Submitted by: (Participant Name - Please Print)

Port Number / SSN

Participant Signature

Date

Reviewed by:

Date

Approved by: Plan Administrator

Date

SPECIAL TAX NOTICE - HARDSHIP DISTRIBUTIONS

Updated 6/30/2017

This Notice contains important information about federal income tax consequences of a hardship distribution from the HRSA-ILA Annuity & Savings Plan. Please read it carefully and discuss it with your tax advisor prior to making the election to receive a Hardship Distribution from the Plan.

HARDSHIP PAYMENT PAID TO YOU

NOT ELIGIBLE FOR ROLLOVER. Hardship distributions from the HRSA-ILA Annuity & Savings Plan are not eligible for rollover to another qualified plan. This means you will not have the option to continue to defer federal income tax on your retirement savings in the Plan through the rollover method.

VOLUNTARY INCOME TAX WITHHOLDING. Mandatory withholding rules for most Annuity & Savings Plan distributions do not apply. **However, hardship withdrawals are taxable, and additional taxes will be due upon tax filing if an adequate amount is not withheld.** You may elect to have additional federal and state taxes withheld in order to meet the tax obligation due on such distribution. If you do nothing, 10% will be taken out of this portion of your payment for federal income tax withholding. To make an additional tax withholding or to waive tax withholding, ask the Plan Administrator for the election form and related information.

ADDITIONAL 10% TAX IF YOU ARE UNDER AGE 59½. If you receive a payment before you reach age 59½ and you do not roll it over, then, in addition to the regular income tax, you may have to pay an extra tax equal to 10% of the taxable portion of the payment. **Most hardship withdrawals, except for those made for medical or disability reasons, will be subject to the additional 10% tax in addition to federal and state income taxes.** The additional 10% tax generally does not apply to (1) payments that are paid after you separate from service with your employer during or after the year you reach age 55, or if you are a qualified public safety employee as described in Code Section 72(t)(10)(A), payments that are paid to you from a governmental defined benefit plan after you separate from service with your employer during or after the year you reach age 50, (2) payments that are paid because you retire due to disability, (3) payments that are paid as equal (or almost equal) payments over your life or life expectancy (or your and your beneficiary's lives or life expectancies), (4) dividends paid with respect to stock by an employee stock ownership plan (ESOP) as described in Code Section 404(k), (5) payments that are paid directly to the government to satisfy a federal tax levy, (6) payments that are paid to an alternate payee under a qualified domestic relations order, (7) payments that do not exceed the amount of your deductible medical expenses, (8) qualified reservist distributions as described in Code Section 72(t)(2)(G) made to an individual who is a reservist or national guardsman and who was ordered or called to active duty after September 11, 2001 and before December 31, 2007 for a period in excess of 179 days or for an indefinite period, and (9) qualified hurricane distributions made to qualified individuals as described in Code Section 1400Q(a). See IRS Form 5329 for more information on the additional 10% tax.

HOW TO OBTAIN ADDITIONAL INFORMATION

This Notice summarizes only the federal (not state or local) tax rules that might apply to your payment. The rules are complex and contain many conditions and exceptions that are not included in this Notice. Therefore, you may want to consult with a professional tax advisor BEFORE you take a payment of your benefits from the Plan. Also, you can find more specific information on the tax treatment of payments from qualified employer plans in IRS Publication 575, *Pension and Annuity Income*, and IRS Publication 590, *Individual Retirement Arrangements*. These publications are available from your local IRS office, on the IRS's Internet Web Site at www.irs.gov or by calling 1-800-TAX-FORMS.