

FASCore Documentation

FUNCTIONAL PROCESS: Distributions

PROCEDURE: Hardship Withdrawal Processing

DATE: October 2008

Overview

These procedures describe the general processing considerations for hardship distributions including hardship approval at FASCore or done by the Plan Administrator.

The Hardship approval services are only available for plans that have Safe Harbor hardship reasons and are set up for full vesting services, deferral recordkeeping for the hardship suspension requirement and submitting full PDI files with term dates, addresses, birth dates and data to calculate vesting. The MetLife Account Executive (AE) will need to work with MetLife management to determine if the Service Agreement and Plan Documents should be amended to allow for hardship approval services.

These procedures also describe the process for obtaining hardship withdrawal information at conversion and the subsequent options and bulletins established when the hardship information is not available.

Procedure

- I. Setting Up Hardship Withdrawals for the Plan.
 - A. Plan set-up and conversion.
 1. At the point of plan set-up or conversion, the Implementation Manager determines if hardship withdrawals are permitted under the Plan Document.
 2. The Plan Administrator will provide money types and specific parameters of those money types eligible for hardship withdrawals.
 3. Hardships may either be safe harbor or facts and circumstances.
 4. For plans that offer loans and hardships using the safe harbor rules.
 - a. FASCore will set the loan before hardship indicator to “Yes” in ISIS
 - b. The Retirement Plan Specialist will receive a pop-up message when processing a quote for a participant that they may be required to take a loan.
 - c. The Retirement Plan Specialist will mention to a participant when speaking about a hardship that they may be required to take a loan but will need to confirm with their plan administrator
 - d. The pop-up message is disregarded by the Distribution area when processing hardships and will rely on the Plan Administrator signature for approval
 5. For plans that offer loans and hardships using facts and circumstance rules
 - a. FASCore will set the loan before hardship indicator to “No” in ISIS.
 - b. The pop-up message indicating a participant may be required to take a loan would not exist for these plans

6. Refer to Section IV for special consideration regarding the conversion of hardship available amounts
7. At plan set-up the Implementation Worksheet will indicate if the Hardship Approval service will be provided.

B. Adding Hardship Provisions to Existing Plans

1. The MetLife AE submits the request to the MetHome Plan Service Team.
2. An amendment is required, however FASCore will process the request if received and will not verify if the plan amendment has been completed.
3. MetHome Plan Service Team will submit a copy of the request to the Plan Management Department.
4. Upon ISIS set up, notification will be provided to the MetLife AE that hardships have been added and the applicable Hardship Distribution Form has been added.

C. Adding Hardship Approval Service

1. At plan set up the Implementation Worksheet will indicate if the hardship approval service will be provided.
2. Existing plans wanting to add the hardship approval service should complete the Plan Change Form- Non-Amendment and submit to the MetHome Plan Service Team.
 - a. Upon ISIS set up, notification will be provided to the AE that the service has been set up and the applicable Hardship Distribution Form has been updated.
 - b. The AE will be responsible to notify then Plan Sponsor that hardship approval services have been established.
3. The MetLife AE will need to work with MetLife management to determine if the Service Agreement and Plan Documents should reflect that the hardship approval services are allowed.
4. FASCore will charge MetLife \$100 per hardship application received. The fee will be accessed for each review, including approvals and denials and will be reported to MetLife on the quarterly invoice.
5. FASCore will not discuss this fee with the Plan Administrator as they will not know if this fee will be passed along to the Plan Administrator by MetLife.
6. The hardship approval service is only available for plans that have Safe Harbor hardship reasons.
7. The Hardship approval service is only available for plans set up for full vesting services and deferral recordkeeping for the hardship suspension requirement and submitting full PDI files with term dates, address, birth dates and data to calculate vesting.
8. The HARDSHIP DISB APPR Group Level Service Rule must be set up on ISIS when this service is elected.

D. Hardship Withdrawal Request Forms

1. If the Plan permits hardships, a Plan specific form will be created and will be available on the participant web site and the PSC.
2. Forms provided are based upon the plan document provisions.
 - a. Safe Harbor / without spousal consent.
 - b. Safe Harbor / with spousal consent.
 - c. Facts and Circumstances / without spousal consent.
 - d. Facts and Circumstances / with spousal consent.
3. The Hardship Withdrawal Request form states the required documentation a participant must provide if FASCore is approving hardships.
4. The Plan Administrator's signature is removed from the form if using the FASCore Hardship Approval service.

II. Requesting a Hardship Withdrawal

A. When FASCore is providing the approval

1. Determination of available hardship balance based on need demonstrated and amount available.
2. Participants may speak with a Retirement Plan Specialist to determine the type of hardship withdrawal, if any, that is permitted by the Plan.
3. The Retirement Plan Specialist can inquire about the amount available for hardship withdrawal based on the system calculation.
4. If FASCore is approving the hardships, participants will be transferred to the Correspondence Department.
 - a. An initial pre-screening will take place and if it is determined the participant may qualify for a hardship, FASCore will mail the participant a Hardship Withdrawal Request Form.
 - b. FASCore will inform the participant they must exhaust all distributions (other than hardships) including non-taxable loans (to the extent such loans do not cause a hardship).
5. Completing a paper form
 - a. Participant completes the top portion of form, "Participant Information", "Hardship Reason", and "Amount Requested" (stated as a dollar amount) indicated on the Hardship Withdrawal Request.
 - b. The Hardship Withdrawal Request form will indicate the required documentation the participant must provide for the Hardship Reason they elected on the form.
 - c. If the plan offers loans, the participant must acknowledge that they have taken all distributions other than hardship distributions and all nontaxable loans (to the extent such loans do not cause a hardship to them). This verbiage is included in the required signature section of the Hardship Withdrawal Request form.
 - d. Participant can elect to have the withdrawal "grossed up" for taxes.
 - e. Participant collects spousal consent if required.

- f. Participant reviews form for accuracy and signs and dates form, certifying the information and sends the form directly to the Service Provider address provided on the form.

B. When the Plan is providing the approval

1. Determination of available hardship balance based on need demonstrated and amount available.
2. Participants may speak with a Retirement Plan Specialist to determine the type of hardship withdrawal, if any, that is permitted by the Plan.
3. The Retirement Plan Specialist can inquire about the amount available for hardship withdrawal based on the system calculation.
4. Participants obtain a copy of the Hardship Withdrawal Request from the participant web site or from the Plan Administrator.
5. Completing the paper form.
 - a. Participant's complete top portion of form, "Participant Information", "Hardship Reason" and "Amount Requested" (stated as a dollar amount) indicated on the Hardship Withdrawal Request.
 - b. Participants review form for accuracy, signs and dates form certifying information.
 - c. The participant submits supporting documentation for the hardship distribution along with the request form and forwards to the Plan Administrator or to Service Provider if the plan is set up for the To-Do-List.
 - d. Hardship distributions are prorated across all investment funds, unless the Plan specifies a hierarchy.
 - e. The Plan Administrator verifies the information provided by participants.
 - f. If approved, signs and dates the form, authorizing payment of the distribution.
 - g. Plan Administrator verifies address and vesting is correct on PSC for participant
 - h. Plan Administrator mails the request to the address listed on the form or it can be faxed to 1-866-745-5766
 - i. Supporting documentation is not to be submitted to Service Provider with the Hardship Withdrawal Request.
 - j. The form should Not be mailed AND faxed – one or the other.
 - k. If denied, the Plan Administrator is to provide the Participant with written explanation of the reason.

III. Processing a Hardship Withdrawal

A. When FASCore is providing the approval

1. Once the participant completes the form and faxes to FASCore, the form will be routed to the Correspondence Department to provide the Hardship Approval prior to routing the form to the Benefits Department at FASCore for Processing.
2. The Correspondence Department will review the documentation the participant provided within 3 business days of receipt and will compare the amount requested, to the amounts provided in the

required documentation as well as the hardship amounts available in ISIS.

3. If the participant fails to submit all of the required documentation and ISIS indicates there is a hardship amount available for withdrawal, the form will be forwarded to Benefits Review to determine if any additional information is missing (i.e. spousal consent if applicable, etc.) so that all incomplete items will be documented in one (rejection) cover letter sent to the participant along with the form. The letter will request the participant attach the missing information and/or documentation and return it to FASCore.
4. Hardship Amount - If neither Gross nor Net is selected, FASCore will default to 'Gross' so that the hardship will be processed for the amount requested and taxes will be deducted from that amount resulting in the check amount being lower than the amount requested.
5. For "suspect" supporting documentation, for example, if a letter is received from a landlord that appears to have been altered, FASCore should reject the request with a letter of explanation. If FASCore isn't quite sure if the documentation really has been altered but is questioning the documentation, FASCore can refer the documentation to the Plan Administrator for their opinion as to whether or not we can reject or accept the documentation.
6. If FASCore denies a hardship withdrawal request, the participant can appeal to the Plan Administrator. FASCore will send the participant a denial letter. The Plan Administrator could then direct FASCore, in writing, to process the hardship if they approve the hardship.
7. If a participant requests a specific dollar amount that exceeds the hardship and claims it is for additional taxes, FASCore will contact the Plan Administrator to get their approval to gross up a hardship withdrawal for any amount in excess of the amount being withheld by FASCore.
8. If the participant does not have any hardship available amounts on ISIS, the Correspondence Department will not need to review any documentation and will route the request to the Benefits Department to reject the request by sending it to the participant stating they do not have any hardship monies available for withdrawal.
9. If the participant provided all required documentation, and they have an amount available for hardship on ISIS, the Correspondence Department will provide notes in our electronic imaging system, noting the amount they approved for hardship based on the documentation provided.
 - a. If the hardship amount available is less than the amount the participant is requesting, FASCore will provide the approval for the hardship amount that is available.
 - b. The request will be forwarded to the Benefits Department for processing.
10. Once the form is in good order, the request will be processed by the Benefits Department based on the date and time the properly completed request is received.
 - a. Items received after market close will be processed and effective the following business day.
 - b. If the Correspondence Department provided the hardship

approval and the form is in good order, the request will be effective based on the date and time the Correspondence Department provided their approval to the Benefits Department.

11. Automatic 10% Federal withholding applies unless the participant has elected out of withholding or has elected a different rate of withholding.
 12. Form 1099-R is mailed to participants by January 31 of the year following the year of withdrawal.
 13. Suspension of deferral
 - a. If FASCore is the deferral recordkeeper, the processing of the distribution creates a record to change the deferral rate to zero and that is passed to the Plan Sponsor on the next deferral file feed.
 - b. If FASCore is NOT the deferral recordkeeper, the Correspondence Department sends a letter to the Plan Sponsor notifying them that a hardship has been processed and the end date of the suspension period.
- B. Processing of a hardship that the Plan Administrator is approving
1. Once received at FASCore, the Hardship Withdrawal Request is processed and mailed within three (3) business days, directly to Participant at the address indicated on the form.
 2. If the distribution check is to be mailed to the Plan Administrator or an alternate address, this should be noted on the form in the section provided for alternate address.
 3. The Preprocessing team at FASCore reviews the Hardship Withdrawal Requests to confirm the following:
 - a. Plan Participants have funds eligible for distribution
 - b. Exact amount of hardship distribution indicated on the form
 - c. Spousal consent properly supplied, if required by the Plan
 - d. All required signatures provided
 4. If the Hardship Withdrawal Request is incomplete in any respect, the form is returned to the Plan Administrator for correction.
 - a. The form is returned to the Plan Administrator via fax unless the Plan is using the To-Do-List.
 - b. Missing information may be added to the form by the Plan Administrator and faxed back to FASCore or the missing data can be input via the To-Do-List if the Plan is set up for this service.
 5. Automatic 10% Federal withholding tax is taken from each distribution processed, unless elected otherwise on the hardship form.
 6. Form 1099-R is mailed to participants by January 31 of the year following the year of distribution.
 7. For Plans permitting “Safe Harbor” hardship distributions, following approval of the Hardship Withdrawal Request by the Plan Administrator, the Plan Administrator (or appropriate payroll personnel) takes action to suspend the participant’s deductions for 401(k) contributions for a period of 12 months.
 - a. EGTRRA provided for reducing the suspension period to six months.
 - b. FASCore will calculate and store an “end suspension date” for all hardship withdrawals taken subsequent to the update of the hardship suspension period for EGTRRA if provided by the Plan Administrator.

- IV. Obtaining hardship available amount at conversion
 - A. During the conversion of a Plan, if the hardship information is not available, Implementation will send an email to the MetLife AE requesting direction.
 - B. Options Available
 - 1. Have the information provided by the company, rather than the prior recordkeeper
 - 2. Amend the Plan Document to restrict the amount available under the Hardship Withdrawal provision to deferrals made after the conversion date.
 - 3. Plan provide hardship available information for a specific participant to MetLife at the time a Hardship Distribution request is submitted
 - C. If option 1 or 3 is elected above, A “Bulletin” will be established at the Plan level for the Retirement Plan Specialist so that the information is available to them when receiving a call for a participant.
 - D. The Implementation Team will review the missing hardship information with the MetHome Plan Service Team during the transition meeting.
 - E. Once hardship information is received for a plan (for existing accounts or newly converted).
 - 1. Send a request to the MetHome Plan Service Team along with a file that lists SSN, name and hardship amounts at the time of conversion.
 - 2. Once the hardship data is loaded, the MetHome Plan Service Team will inform the Account Executive and update the bulletin with the effective date of when hardship amounts were loaded.
 - F. Once hardship information is received for a participant (for existing accounts or newly converted plans)
 - 1. Send request to MetHome Plan Service Team for processing.
 - 2. The Plan Manager will open up an AR ticket to the cash department to load the hardship amount for the requested participant.
 - 3. Once loaded, the Plan Manager will notify the Account Executive who sent in the request that the hardship amount has been loaded so they can contact the Plan who will contact the participant to submit their distribution request.