



Authorizing Withdrawals from Optional Plan Due to Financial Hardship

Background

In accordance with Internal Revenue Service (IRS) guidelines [IRC 213(d)], for specific reasons and financial circumstances an eligible employee who has entered into a salary reduction agreement with the Research Foundation (RF) may request a hardship withdrawal. The employee must have funds allocated to TIAA-CREF Group Supplemental Retirement Annuity (GSRA) contract, TIAA-CREF Retirement Annuity (TDA) or a Fidelity Mutual Fund custodial account. The amounts available for hardship withdrawals in these accounts are principal only; accumulations cannot be withdrawn.

Definition

A hardship withdrawal is defined as an employee withdrawal of principal funds from his or her TIAA-CREF contracts or a Fidelity account for the purpose of satisfying an immediate and heavy financial need, which cannot be met from other sources. The hardship withdrawal must satisfy two criteria (1) there must be a permissible reason for the withdrawal (see below), and (2) the withdrawal must be necessary to pay the expense (plus taxes). An employee may not repay a hardship distribution to their account.

Eligibility

An active RF employee under the age of 59 ½ with a TIAA-CREF GSRA, TIAA-CREF TDA or Fidelity account is eligible to request a financial hardship withdrawal, provided he or she meets the criteria shown below. The employee must complete required forms to justify the financial hardship and demonstrate inability to obtain funds from other income sources. *Employer authorization is required for this distribution.*

Note: An employee over the age of 59 ½ can make a withdrawal without using this procedure.

Permissible Reasons for the Withdrawal Request

A withdrawal request can be approved only if the withdrawal is for one of the six reasons outlined below. The employee must provide adequate documentation to demonstrate that the withdrawal is permissible for one or more of these reasons.

1. Unreimbursed medical expenses already incurred, or that will be incurred in the near future, by the employee, the employee's spouse, or the employee's dependents. Medical expenses include doctor's bills, hospital bills, ambulance, dental, vision, drug, durable medical equipment, etc. More information about permissible medical expenses can be found in IRS Publication 502.
 - a. Acceptable documentation of medical expenses includes an Explanations of Benefits (EOBs) that show the nature of the expense and the portion of the expense that is not reimbursed, bills from providers, hospitals, pharmacies, etc.

2. Amounts needed to purchase a primary residence for the employee; mortgage payments are not included. The property must become the primary residence of the employee within a reasonable period of time following the withdrawal. For example, a second home that will someday be used as a primary residence in retirement is not a primary residence for purposes of the hardship withdrawal.
 - a. Acceptable documentation of purchase of a primary residence includes a purchase contract and loan application stating that the residence will be primary.
3. Payment of tuition and related educational fees and room and board expenses for the next 12 months of post-secondary (after high school) education for the employee, the employee's spouse, and/or the employee's children or dependents.
 - a. Acceptable documentation includes tuition bills, room and board invoices, and estimates of the same, bookstore receipts or lists of required books with prices, etc.
4. Payment of amounts necessary to prevent the eviction of the employee from his or her principal residence, or to prevent foreclosure on the mortgage of the employee's principal residence.
 - a. Acceptable documentation includes notices of eviction or foreclosure, notices that eviction or foreclosure proceedings will be commenced if payment is not received, etc.
5. Payments for burial or funeral expenses for the employee's deceased parent, spouse, children or dependents.
 - a. Acceptable documentation includes funeral home or cemetery invoices, estimates and similar documentation.
6. Expenses for repair of principal residence due to casualty loss. To qualify as a casualty loss, the loss must be due to a sudden, unexpected, or unusual event or cause, such as a flood, fire or wind damage. Progressive deterioration inherent in a property is not a casualty. For example, damage to a home caused by termites or a leaky roof does not qualify. There is no casualty loss if it is due to the taxpayer's own negligence or carelessness.
 - a. Acceptable documentation includes estimates for repair.

Taxation

The distribution made to an employee because of hardship withdrawal is taxable in the year it is received and can be subject to an additional 10 percent Federal income tax penalty. The employee can choose at the time of withdrawal whether or not to have taxes withheld by Fidelity or TIAA-CREF. The employee will receive a 1099R at the end of the year stating the amount of the withdrawal and any taxes withheld to be filed with the employee's tax return for the year. In order to determine if the hardship is subject to the additional 10 percent penalty, the employee should also complete IRS Form 5329 or consult a tax advisor.

What to Give Employees

If an eligible employee requests a withdrawal of retirement funds because of financial hardship, operating locations should provide the employee with the following documents:

[General Information on Financial Hardship Withdrawals](#)

This document explains to an employee who is eligible to request a hardship withdrawal what criteria must be met before making the request, how to make the request and the tax implications of a hardship distribution.

[Financial Hardship Withdrawal Worksheet](#)

This document provides evidence of the employee's financial hardship (e.g. outstanding loans, assets, etc.)

Affidavit of Financial Hardship and Employee Hardship Withdrawal Certification Form

This document indicates the contract or account from which the distribution should be made, states the amount needed and how the funds will be used. In addition, the form provides certification that the amount the employee is withdrawing because of financial hardship does not exceed the amount of his or her financial need. It also stipulates that the employee agrees to the suspension of all contributions to the Optional Retirement Plan for 6 months beginning after the hardship has been approved.

At this time, the employee should also be directed to the investment company, TIAA- CREF or Fidelity, from which they are making the withdrawal so that they can get the forms required for withdrawal.

The employee should return both the RF and investment company forms to the operating location.

Withdrawal Process

The following table describes the hardship withdrawal process:

Step	Who Is Responsible	Action
1	Operating Location	Provide employee with General Information handout and hardship withdrawal forms.
2	Employee	Complete, sign and return the forms and any documentation to the operating location.
3	Operating Location	Review the forms to ensure they are completed, signed and dated and review documentation for the following: 1. Permissible reason is checked. 2. Appropriate documentation for reason is provided. 3. The total amount on the Financial Hardship Withdrawal Worksheet is equal to the amount Requested on the Affidavit of Financial Hardship. If any of the conditions above are not met, the forms should be returned to the employee. After ensuring documentation is complete and signed by the employee, forward to RF central office retirement unit for authorization.
4	RF Central Office	Upon review of the documentation RF central office either denies or approves the hardship withdrawal. If approved, RF central office will return the signed Affidavit of Financial Hardship Certification including the authorized amount to the campus. At the same time they will stop the current optional retirement contributions. If the hardship is denied, an explanation will be provided to the campus.
5	Operating Location	Will notify employee of either approval or denial. If approved, direct employee to the appropriate investment company for their required forms. These should be completed with the amount approved by central office. The campus should sign these forms and forward the paperwork to the appropriate investment company for processing. Note: Either the approval page of the Affidavit of Financial Hardship Certification should be attached to the investment company paperwork or the approved amount should be indicated on the investment company paperwork.
6	TIAA-CREF and Fidelity	Receive the forms, determine the amount the employee can withdraw based on account balances and send the distribution to the employee. Note: Fidelity can determine the amount before the paperwork is submitted. TIAA-CREF does this at the time of submission.
7	Operating Location	If the employee requests salary reduction following the 6 month suspension period, a new Salary Reduction Agreement is required.