

SUMMARY OF CHANGES TO HARDSHIP DISTRIBUTION RULES UNDER THE KBOR VOLUNTARY RETIREMENT PLAN

This notice is to give you important information about upcoming changes to the Kansas Board of Regents Voluntary Retirement Plan ("Voluntary Plan") related to hardship distributions.

A hardship distribution is permitted under the Voluntary Plan if (i) a participant has an immediate and heavy financial need and (ii) the distribution is necessary to satisfy that immediate and heavy financial need. The Internal Revenue Code and Internal Revenue Service ("IRS") regulations define both what constitutes an immediate and heavy financial need, and when a distribution is necessary to satisfy that need. Recent legislation and IRS regulations changed these requirements to make it easier to obtain a hardship distribution.

The changes to the hardship distribution rules under the Voluntary Plan are summarized below. All changes are effective for hardship distributions taken on or after January 1, 2020.

- **Elimination of the six month suspension of elective deferrals following a hardship distribution.** Currently, all elective deferrals to the Voluntary Plan must be suspended for six months beginning on the date that the participant receives a hardship distribution. This suspension requirement will no longer apply for hardship distributions made on or after January 1, 2020. Any suspension in effect on January 1, 2020, will end, and the affected participant will be immediately eligible to restart his or her elective deferrals.
- **Elimination of the requirement to take available nontaxable loans.** Currently, a participant must obtain all distributions and loans available to the participant from the Voluntary Plan and any other plan maintained by his or her employer before the participant can request a hardship distribution. Beginning January 1, 2020, a participant will no longer be required to obtain a loan from the Voluntary Plan or any other plan before requesting a hardship distribution.
- **Changes to categories of financial need.** Hardship distributions are currently available under the Voluntary Plan for six categories of financial need only: (1) expenses for medical care, (2) costs related to the purchase of a principal residence, (3) tuition and related educational payments, (4) payments necessary to prevent eviction or foreclosure, (5) burial or funeral expenses, and (6) expenses to repair damage to a principal residence. Hardship distributions for a seventh category of financial need – expenses and losses resulting from a federally declared disaster – will be available under the Voluntary Plan beginning January 1, 2020.
- **New certification requirement.** Participants who request a hardship distribution must certify that they have insufficient cash or other liquid assets to satisfy the financial need. This certification will be made as part of the hardship distribution request process beginning January 1, 2020.

All other rules relating to hardship distributions under the Voluntary Plan remain the same. Please visit https://kansasregents.org/about/regents_retirement_plans/voluntary_retirement_plan to see a copy of the Voluntary Plan document and a hardship withdrawal request form.