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**AMENDMENT FOR**

**HARDSHIP DISTRIBUTIONS FROM 403(b) PLANS**

**Instructions**

FIS has developed a good-faith amendment that may be used to modify a 403(b) plan to conform to the new hardship distribution rules set forth in 2019 final regulations applying Section 41114 of the Bipartisan Budget Act of 2018. In short, the new rules:

* Expand safe harbor hardship needs, effective as early as January 1, 2018, to include
  + Expenses (including lost income) incurred by participants with a primary residence or place of business in a federal disaster area, and
  + Residential casualty losses, regardless of whether the participant’s primary residence was in a disaster area.
* Effective no sooner than the first day of the 2019 plan year:
  + Allow QNECs, QMACs, and safe harbor contributions, other than those held in custodial accounts, to be used for hardship distributions and
  + Allow participants to receive hardship distributions without taking a loan first.
* Effective no later than January 1, 2020 (and optionally as soon as the first day of the 2019 plan year):
  + Require a participant to certify, as a condition of receiving a hardship distribution that the participant has insufficient cash or other liquid assets reasonably available to satisfy the hardship need, and
  + Prevent the plan from suspending elective deferrals and employee contributions on account of making a hardship distribution.

Note that earnings on 403(b) deferrals cannot be used for hardship distributions.

**When must plans be amended?**

Based Rev. Proc. 2019-39, preapproved 403(b) plans must amend by December 31, 2020, assuming the effective date of the amendment is in 2019. The deadline may be as late as December 31, 2021. At present, we recommend that. to be safe, preapproved plan sponsors should adopt the amendment by **December 31, 2020**.

This amendment is designed to be adopted by preapproved plan sponsor (i.e., by a volume submitter practitioner or prototype sponsoring organization). There are, however, some optional provisions that will require an employer to adopt the amendment should it desire to use any of the optional provisions.

**Can I adopt this Amendment on behalf of all of my employer clients?**

***If your firm has IRS approval letters in your firm's name (i.e., if your firm is a volume submitter practitioner),*** then your firm may adopt this Amendment on behalf of all adopting employers. We have a separate amendment that may be used for those plans where your firm is not the sponsor/practitioner of the preapproved plan.

**Can I modify the Amendment?**

Yes. **This Amendment is not an IRS model amendment and has not been reviewed by the IRS.** This Amendment is intended to be a good‑faith amendment and we will add it to the Relius Document System in a future update. Therefore, if you modify the Amendment, then your amendment will not match the Amendment generated by our document system.

**How do I complete the amendment?**

If you are adopting the amendment on behalf of your adopting employers, you must answer the two yes/no questions in Sections 2.1 and 2.2. Skip the elections in 2.3 through 2.6. Enter the name of your firm and sign the amendment.

If an employer is adopting the amendment because it is selecting different defaults, answer the two yes/no questions in Sections 2.1 and 2.2. Optionally make elections in any of Sections 2.4 through 2.6 to override the defaults listed in Section 2.3. The employer should sign and date the amendment and identify the plan involved.

Question 2.1 is most readily understood with an example. Suppose an employer maintains a calendar year 403(b) plan and uses a general effective date of January 1, 2020. As a result, the former hardship suspension rules will not apply to distributions after December 31, 2019. Suppose a participant took a hardship distribution on October 1, 2019, before the effective date of the amendment, and therefore hardship distributions were suspended automatically until the March 31, 2020 paycheck. If you select YES in election 2.1(a), deferrals would/could have resumed January 1, 2020. If you select NO in election 2.1(b), the participant’s deferral suspension would continue until March 31, 2020, as though the amendment had not been adopted.

**Are other documents available?**

In addition to the Amendment, we have provided a sample Adopting Resolution (for an employer to evidence adoption of the Amendment, if applicable), an employee certification, and a sample Summary of Material Modifications (SMM) (if applicable). We have not provided a unanimous written consent or other form to actually adopt the amendment, because this will vary depending on local law and on the structure of the employer.

**The SMM is designed to work with the default provisions in the amendment. You must modify the selections on the SMM to match the terms of the Plan being amended. In other words, if an employer makes any elections in the Amendment, then you need to modify the SMM to reflect what was elected. If the plan is not a safe harbor 403(b) plan, delete the italicized sentence in the first paragraph about updating the safe harbor notice. If the plan answers NO in Section 2.2(b), delete the final (italicized) paragraph of the SMM.**

# AMENDMENT TO IMPLEMENT HARDSHIP DISTRIBUTION

**PROVISIONS OF THE BIPARTISAN BUDGET ACT OF 2018**

**ARTICLE I**

**PREAMBLE**

1.1 **Adoption and effective date of Amendment**. The Document Provider, on behalf of the Employer, hereby adopts this Amendment to the Employer’s Plan. Except as otherwise specified in this Amendment, this Amendment is effective (“the Effective Date”) on the first day of the first Plan Year beginning after December 31, 2018, or as soon as administratively feasible thereafter, and in no event later than January 1, 2020. If the Plan, prior to this Amendment, does not provide for hardship distributions, then this Amendment will be void and of no effect.

1.2 **Superseding of inconsistent provisions**. This Amendment supersedes the provisions of the Plan to the extent those provisions are inconsistent with the provisions of this Amendment. Except as otherwise provided in this Amendment, terms defined in the Plan will have the same meaning in this Amendment.

1.3 **Construction.** Except as otherwise provided in this Amendment, any "Section" reference in this Amendment refers only to this Amendment and is not a reference to the Plan. The Article and Section numbering in this Amendment is solely for purposes of this Amendment, and does not relate to the Plan article, section, or other numbering designations.

1.4 **Effect of restatement of Plan**. If the Employer restates the Plan using the Document Provider’s Cycle 1 Plan, then this Amendment shall remain in effect after such restatement unless the provisions in this Amendment are restated or otherwise become obsolete (e.g., if the Plan is restated onto a plan document which incorporates these provisions).

1.5 **Adoption by Document Provider**. The Document Provider hereby adopts this Amendment on behalf of all of the Document Provider’s Cycle 1 plans adopted by its adopting employers. The adoption by the Document Provider becomes applicable with respect to an Employer’s Plan on the Effective Date (or, if later, the Effective Date of the Plan), unless the Employer individually adopts this Amendment, or an alternative amendment, prior to the expiration of the remedial amendment period relating to this Amendment.

**ARTICLE II**

**ELECTIONS**

**Instructions: Complete the elections at Sections 2.1 and 2.2.** Unless this Amendment is signed by the Employer, the default elections in Section 2.3 will apply. If the Employer is satisfied with those defaults and the Document Provider’s elections in Sections 2.1 and 2.2, the Employer does not need to execute this Amendment. Otherwise, the Employer must complete the elections at Sections 2.1 and 2.2, may complete one or more of Sections 2.4 through 2.6 in order to override the default elections in Amendment Section 2.3, and must execute the amendment.

2.1 **Termination of deferral suspension.** Hardship distributions made on or after the Effective Date will not trigger a suspension of Elective Deferrals, pursuant to Section 3.1(c). If a Participant received a hardship distribution before the Effective Date, and therefore Elective Deferrals were suspended, will the Participant be able to resume deferrals as soon as practical after the Effective Date?

a. [ ] **YES**. Beginning on the Effective Date, Elective Deferrals will not be suspended on account of a hardship distribution, regardless of the date of the distribution.

b. [ ] **NO**. The Participant’s suspension of Elective Deferrals begun before the Effective Date will continue as originally scheduled.

2.2 **Expansion of sources available for a hardship distribution.** Pursuant to Amendment Section 3.2, are QNECs and QMACs available for hardship distributions other than from custodial accounts?

a. [ ] **YES.** QNECs and QMACs are available for hardship distributions.

b. [ ] **NO**. QNECs and QMACs are not available for hardship distributions.

2.3 **Default Provisions**. The following provisions apply except to the extent the Employer makes a different election in one or more of Sections 2.4 through 2.6 and executes the amendment.

1. **After the Effective Date, Participants do not need to take plan loans before taking hardship distributions.**
2. **Hardship needs include residential casualty losses (without regard to whether the casualty was in a federally declared disaster area) and Disaster Losses, effective January 1, 2018 or as soon as practical thereafter.**
3. **The Effective Date is the first day of the first Plan Year beginning after December 31, 2018, or as soon as administratively feasible thereafter, and in no event later than January 1, 2020.**

**Skip Sections 2.4 through 2.6 if you accept the default provisions listed in Section 2.3. Any entry in Sections 2.4 through 2.6 will override those defaults.**

2.4 **Loan Requirement**. The provisions of Amendment Section 3.1(b), requiring recipients of hardship distributions to take available nontaxable loans, will NOT apply unless selected below:

a. [ ] Amendment Section 3.1(b) APPLIES (i.e., Participants are required to obtain a Plan loan) indefinitely, unless and until the Plan is further amended.

2.5 **Hardship needs/events.** The provisions of Amendment Sections 3.3 (relating to residential casualty losses) and 3.4 (relating to Disaster Losses) apply as of January 1, 2018, or as soon as practical thereafter, unless otherwise elected below.

a. [ ] Amendment Section 3.3 will NOT apply (and so casualty losses are limited to federally declared disasters, pursuant to Code §165(h)).

b. [ ] Amendment Section 3.4 will NOT apply (and so the Plan will not make hardship distributions on account of Disaster Losses).

2.6 **Effective Dates.** Unless otherwise selected below, the Effective Date is the first day of the first Plan Year beginning after December 31, 2018, or as soon as administratively feasible thereafter, and in no event later than January 1, 2020. Except as otherwise specified in this Amendment, all provisions are effective on the Effective Date.

a. [ ] Other general Effective Date: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (may not be earlier than the first day of the first Plan Year beginning on or after January 1, 2019 or after January 1, 2020).

b. [ ] Special Effective Date for Amendment Section 2.2a: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *[Enter a special effective date, no sooner than the first day of the 2019 Plan Year.]*

c. [ ] Special Effective Date for Amendment Section 2.3a: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *[Enter a special effective date, no sooner than the first day of the 2019 Plan Year.]*

d. [ ] Special Effective Date for Amendment Section 2.3b: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ *[Enter a special effective date for the expansion of hardship needs/events, no sooner than January 1, 2018.]*

**ARTICLE III**

**DISTRIBUTION BASED ON HARDSHIP**

3.1 **Modification of hardship necessity provisions.**

a. The Necessity Provisions of the Plan are repealed. Except as otherwise provided in this Section 3.1, the Plan will not make a hardship distribution to a Participant unless the Participant has obtained all other currently available distributions (including distributions of ESOP dividends under section Code §404(k), but not hardship distributions) under the plan and all other plans of deferred compensation, whether qualified or nonqualified, maintained by the Employer. In addition, for a distribution that is made on or after January 1, 2020 (or such earlier date as the Plan Administrator has implemented the procedure), the Participant must certify (in writing, by an electronic medium as defined in Treas. Reg. §1.401(a)-21(e)(3)), or in such other form as authorized in IRS guidance) that he or she has insufficient cash or other liquid assets reasonably available to satisfy the need.

b. If and only if elected in Amendment Section 2.4, before a hardship distribution may be made, a Participant must obtain all nontaxable loans (determined at the time a loan is made) available under the plan and all other plans maintained by the Employer.

c. The Plan will not suspend the Participant from making Elective Deferrals on account of receipt of a hardship distribution. This provision will apply to hardship distributions made after the Effective Date. Under Amendment Section 2.1, it may also apply, as of the Effective Date, to certain suspensions of Elective Deferrals on account of receipt of a hardship distribution prior to the Effective Date.

3.2 **Modification of amounts that may be withdrawn on account of a hardship.** Except as otherwise elected in Amendment Section 2.2, QNECs, and QMACs (and the earnings thereon) may be withdrawn on account of a hardship. However, in no event may employer contributions (including QNECs and QMACs) held in a custodial account described in Code §403(b)(7) be withdrawn on account of hardship. The hardship provisions set forth in the Plan, except as modified by this Amendment, continue to apply.

3.3 **Residential casualty loss.** Except as otherwise provided in Amendment Section 2.5, effective January 1, 2018 or as soon as practical thereafter, to the extent the Plan permits hardship distributions for expenses to repair damage to the Participant's principal residence that would qualify for a casualty loss deduction under Code §165, such amounts will be determined without regard to Code §165(h)(5).

3.4 **Disaster loss.** If the Plan is a Deemed Need Plan, then except as otherwise provided in Amendment Section 2.6, effective January 1, 2018 or as soon as practical thereafter, the financial needs which can justify a hardship distribution to a Participant are expanded to include Disaster Losses.

**ARTICLE IV**

**DEFINITIONS**

4.1 **Suspensions of Elective Deferrals.** Any reference to suspension of Elective Deferrals means and includes a suspension of Elective Deferrals and/or Employee Contributions to this Plan or any other 403(b) plan, a qualified plan, or an eligible governmental plan (described in Treas. Reg. §1.457-2(f)) of the Employer.

4.2 **QNECs.** A “QNEC” is a Qualified Nonelective Contribution, described in Code §401(m)(4)(C) or a safe harbor nonelective contribution described in Code §401(k)(12)(C). For purposes of this Amendment only, a QACA nonelective contribution described in Code §401(k)(13)(D)(i)(II) will also be treated as though it were a QNEC.

4.3 **QMACs.** A “QMAC” is a Qualified Matching Contribution, described in Code §401(d)(3)(D)(ii)(I), or a safe harbor matching contribution described in Code §401(k)(12)(B). For purposes of this Amendment only, a QACA matching contribution described in Code §401(k)(13)(D)(i)(I) will also be treated as though it were a QMAC.

4.4 **Necessity Provisions.** The “Necessity Provisions” of the Plan are those provisions which implement the provisions of Treas. Reg. §1.401(k)-1(d)(3)(iv)(B), (C), (D), and (E), as in effect April 1, 2019. These provisions may either reflect the safe harbor “deemed necessary” standards of subparagraph (E) of that regulation, or the non-safe harbor “no alternative means” standards of subparagraphs (B), (C), and (D) of that regulation.

4.5 **Deemed Need Plan.** The Plan is a “Deemed Need Plan” to the extent the Plan limits eligibility for a hardship distribution to the deemed immediate and heavy financial needs described in Treas. Reg. §1.401(k)-1(d)(3)(iii)(B) as in effect April 1, 2019.

4.6 **Disaster Losses.** Disaster Losses are expenses and losses (including loss of income) incurred by the Participant on account of a disaster declared by the Federal Emergency Management Agency (FEMA) under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, Pub. L. 100-707, provided that the Participant’s principal residence or principal place of employment at the time of the disaster was located in an area designated by FEMA for individual assistance with respect to the disaster.

4.7 **Document Provider.** The Document Provider means the §403(b) Pre-approved Plan Sponsor of a §403(b) Pre-approved Plan as defined in Rev. Proc. 2019-39. References to the Document Provider’s Cycle 1 plans are to §403(b) Pre-approved Plans sponsored by the Document Provider for Cycle 1, as defined in Section 10.02 of Rev. Proc. 2019-39.

(signature and date)

Sponsor/Practitioner Name:

**NOTE: The Employer only needs to execute this Amendment if an election has been made in one or more of Sections 2.4 through 2.6, or the Employer has made a different selection from the Document Provider’s selection in Sections 2.1 or 2.2.**

This Amendment has been executed this \_\_\_\_\_\_\_\_\_\_ day of \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_, \_\_\_\_\_\_ .

Name of Plan:

Name of Employer:

By:

EMPLOYER

**CERTIFICATE OF ADOPTING RESOLUTION**

The undersigned authorized representative of (the Employer) hereby certifies that the following resolution was duly adopted by Employer on , and that such resolution has not been modified or rescinded as of the date hereof:

RESOLVED, the Amendment to Implement Hardship Distribution Provisions of The Bipartisan Budget Bill of 2018 to the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Plan (the Amendment) is hereby approved and adopted and that an authorized representative of the Employer is hereby authorized and directed to execute and deliver to the Plan Administrator the Amendment and to take any and all actions as it may deem necessary to effectuate this resolution.

The undersigned further certifies that attached hereto is a copy of the Amendment approved and adopted in the foregoing resolution.

Date:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Signed:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

[print name/title]

**SUMMARY PLAN DESCRIPTION**

**MATERIAL MODIFICATIONS**

**I**

**INTRODUCTION**

This is a Summary of Material Modifications regarding the \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (“Plan”). This is merely a summary of the most important changes to the Plan and information contained in the Summary Plan Description or Summary (“SPD”) previously provided to you. It supplements and amends that SPD so you should retain a copy of this document with your copy of the SPD. If you have any questions, contact the Administrator. If there is any discrepancy between the terms of the Plan, as modified, and this Summary of Material Modifications, the provisions of the Plan will control. [*This Summary also updates any safe harbor notice you received, and you may choose to modify your deferral elections after receiving this notice.*] Unless otherwise noted, these changes are effective for plan years beginning after December 31, 2018.

**II**

**SUMMARY OF CHANGES TO HARDSHIP DISTRIBUTION PROVISIONS**

The Plan allows you to withdraw money for financial hardship if you satisfy certain conditions. We have amended the Plan’s hardship distribution provisions as described below. You should note that all the other hardship provisions set forth in the Plan and explained in the Summary Plan Description continue to apply.

**Hardship conditions.** If you have a qualifying hardship expense, the Plan requires that certain conditions be satisfied to demonstrate the necessity of the distribution. We have made the following changes in these conditions:

1. Beginning January 1, 2020 or earlier, you will be required to certify in writing or electronically, as a condition of receiving a hardship distribution, that you have insufficient cash or other liquid assets reasonably available to meet your financial hardship.

2. You are no longer required to suspend making salary deferrals *[and after-tax voluntary contributions]* for six (6) months after receipt of the hardship distribution. This means you may continue making these contributions even though you have received a hardship distribution.

3. You are no longer required to obtain all nontaxable loans currently available under all plans that your Employer maintains.

**Hardship Events.** The plan has expanded effective January 1, 2018 the list of expenses which qualify for a hardship distribution. You can now receive a hardship distribution if your principal residence or place of employment at the time of a disaster was in an area FEMA designates as qualifying for individual assistance in connection with a federally declared disaster. The distribution can cover your expenses and losses (including loss of income) on account of the disaster. Additionally, the definition of residential casualty loss has been broadened to include residential casualties even if they are not part of a federally declared disaster.

***[Available Accounts.*** *The Plan imposes restrictions on the ability to withdraw certain amounts on account of a hardship. Due to recent changes in the law, the Plan has been amended to expand the amounts that can be withdrawn on account of a hardship. It now includes certain employer contributions that are made to satisfy special nondiscrimination rules, other than employer contributions held in mutual fund custodial accounts.]*

***Name of Plan***

**CERTIFICATION OF NECESSITY FOR HARDSHIP DISTRIBUTION**

I hereby certify that I am applying for a hardship distribution and that all supporting information provided with the application is true.

I understand that I must provide supporting documentation or information, which may include bills, contracts, estimates, and other information that will support my request for a hardship distribution. I also understand that I am certifying that I have insufficient cash or other liquid assets reasonably available to me to meet this financial hardship. In order to do so, I hereby certify that:

a. The distribution will not exceed the immediate financial need ($\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ (enter amount));

b. I have insufficient cash or other liquid assets reasonably available to satisfy the immediate financial need.

**Acknowledgement/Authorization**

Date of execution:

Signature of Participant