The California State University
Office of the Chancellor
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Date:    July 9, 1997
To:      Benefits Officers
From:    Cathy Robinson, Senior Director
         Human Resources Administration

Subject: 403(b) Contracts and Financial Hardship Withdrawal Requests

The number of 403(b) vendors requesting California State University (CSU) to approve individual hardship withdrawal requests has increased over the past several years. As vendors become more insistent about the approvals, campus representatives have increasingly requested guidance from the Chancellor's Office to resolve these matters.

In the past, the CSU refrained from signing vendor hardship withdrawal forms. Recent reference information indicates however, that if the employer reasonably relies upon the employee's representation that the employee's need cannot be relieved through other remedies, the withdrawal can be treated as necessary to satisfy a financial need.

A "Statement of Certification of Financial Hardship" form has been developed to assist and expedite the process for those requesting a monetary withdrawal due to financial hardship from their respective 403(b) vendor (see Attachment A). Effective immediately, once the certification is signed by the employee, the campus Benefits Officer will be authorized to sign the respective 403(b) vendor withdrawal request form. It is critical that the form be carefully reviewed to ensure that the employer signature request is for financial hardship withdrawal only.

(over)

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w/ attachments
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Distribution by a 403(b) plan will be deemed necessary to satisfy a financial need if certain requirements are met:

- The employee has obtained all distributions and nontaxable loans available under all plans maintained by the employer;
- The distribution is not in excess of the amount of the immediate and heavy financial need of the employee;
- The employee’s contributions are suspended for at least 12 months after receipt of the hardship distribution (any elective contributions and employee contributions to any plan maintained by the employer must be suspended for 12 months);
- The employee’s 402(g) maximum allowable contribution ($9500 for 1997) to the 403(b) plan in the next taxable year is reduced by the 403(b) contributions made in the year the hardship withdrawal was taken. For example, an employee who contributed $4500 in 1996 and who had a financial hardship withdrawal in 1996 will only be eligible to defer $5000 in 1997 ($9500 minus the $4500 contributed in 1996).

Prior to signing vendor hardship withdrawal request forms, campuses must ensure that procedures are in place to:

- Flag when a 403(b) financial hardship withdrawal request form is signed (all elective contributions must be administratively cancelled for the following 12 pay periods);
- Monitor suspended contribution timeframe requirements;
- Monitor to ensure that 402(g) maximum allowable contributions have been reduced by the 403(b) contributions made in the year the hardship withdrawal was taken.
- Maintain appropriate documentation pertinent to financial hardship activities.

Please forward financial hardship inquiries to Natalie Enoki at (562) 985-2658. Thank you.

CR/dth
attachment
THE CALIFORNIA STATE UNIVERSITY (CSU)
STATEMENT OF CERTIFICATION OF FINANCIAL HARDSHIP
(To be completed and returned to the campus with the 403(b) vendor withdrawal request form.)

EMPLOYEE NAME: ____________________________ SSN: _______________  

403(b) ACCOUNT NUMBER: ____________________

I hereby certify that I have incurred an immediate financial hardship so as to need a withdrawal of the amount of $________, based on the following need (check one):

___ Costs related to unreimbursed medical expenses (including the past 12 months, the cost for this need will be covered with $________).

___ Costs related to purchase of a principal residence (excluding mortgage payments). The cost for this need will be covered with $________.

___ Payment of tuition and related educational fees as well as room and board expenses for the next 12 months of postsecondary education for myself, my spouse or dependents. The cost for this need will be covered with $________.

___ Payment necessary to prevent my eviction from my principal residence or to avoid foreclosure on the mortgage on that residence, the cost for this need will be covered with $________.

I further certify that the withdrawal amount designated on the attached 403(b) distribution form (furnished by the respective 403(b) Plan, not the CSU) is necessary to meet my financial need created by the hardship to the extent that no other funds are reasonably available. Moreover, I acknowledge that the amount necessary to meet my financial need may include the amount of any federal, state or local income taxes or penalties reasonably anticipated to result from my withdrawal. Furthermore, I have determined that the amount of my financial hardship cannot be satisfied by any other distributions and nontaxable loans currently available to me under any benefit plans maintained by my employer, the Trustees of the California State University, an agency of the State of California acting in its higher education capacity.

I understand that I am responsible for retaining the original documentation necessary to verify that a financial hardship exists and to verify the attributable costs at the time I make this request for a financial hardship 403(b) Plan distribution. I acknowledge that, upon my receipt of the hardship distribution, I will instruct my CSU payroll department to suspend for a period of 12 months any elective contributions and employee contribution to any plan maintained by my employer. I also understand that when I resume salary reduction contributions, my contribution limit will be reduced by the amount I contributed in the year in which I received the hardship distribution. Further, I indemnify and hold the CSU and my tax shelter annuity/mutual fund provider harmless from any losses or financial obligation which may arise by reason of processing such financial hardship request with respect to my 403(b) arrangement.

I certify under penalty of perjury that all of the foregoing statements are true and correct. This statement is made in ______________________, California.

______________________________  ______________________
Employee's Signature  Date

1 Listing of the Social Security Number (SSN) is required since the CSU uses the SSN as an employee identification of its computerized payroll and benefits system which must be used in this transaction.

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