The CARES Act and how it may impact your plan and Partners in Education
Horace Mann – founded by educators for educators

We are the largest financial services company focused on America’s educators

We provide educators and school employees with affordable auto, home and life insurance, as well as retirement solutions.

Horace Mann Educators Corporation is publicly traded with ~ $12 billion in assets

Horace Mann Educators Corporation and its subsidiaries have approximately $12 billion in assets and consistently receive among the highest rankings from all four financial strength rating agencies. For more information on our ratings, visit horacemann.com/creditratings.

We’ve been in the 403(b) market since 1961

We provide retirement solutions in nearly 4,000 public school districts’ 403(b)/457(b) programs nationwide.

Our 700+ representatives work with local educators every day

We recognize the common challenges school employees face – and the ones that may be unique to each of them. Our representatives can make recommendations that help set up each employee for success.

For plan sponsor use only.
Horace Mann –
founded by educators for educators

We have extensive knowledge of the teachers’ state retirement systems

We can provide school employees with a “big picture” view of how their state retirement benefits and supplemental retirement plans can work together.

We have exclusive value-added programs and services

We can help increase employee retention, boost productivity and morale and lower benefit costs.

Our supplemental insurance coverages* can help provide additional money for treatment of accidents or sudden illness, while disability insurance can provide income until you get back on your feet.

* National Teachers Associates Life Insurance Company (NTA), a Horace Mann company, underwrites NTA supplemental insurance products.

For plan sponsor use only.
We connect educators with solutions

We provide no-cost workshops designed to educate employees and help them understand what they need to do to plan for their financial futures.

- Understanding supplemental products
  - Supplemental Products Workshop
- Managing student loan debt
  - Student Loan Solutions Workshop
- Reducing out-of-pocket classroom spending
  - DonorsChoose Workshop
- Achieving financial success as an educator
  - Financial Success Workshop
- Learning about available retirement savings options
  - Get on the Road to Retirement Savings Workshop
- Understanding the state retirement system
  - State Retirement System Workshop

For plan sponsor use only.
Agenda

• What you need to know in today’s environment to maintain your employees retirement plan.

• The new CARES Act provisions and how they impact your employees retirement plan

• Communicating to your employees

• Keeping your plan compliant

• Current Market and your Goals

• How Horace Mann can assist me

• Horace Mann student loan solutions

• Crowdfunding best practices
New congressional responses

A timeline of legislative responses

**Coronavirus Preparedness and Response Supplemental Appropriations Act**
- Enacted March 6
- $8.3 billion in emergency funding for federal agencies to respond to COVID19

**Families First Coronavirus Response Act**
- Enacted March 18
- Paid sick leave; free coronavirus testing; expanded food assistance and unemployment benefits; protections for health care workers.

**CARES Act (Coronavirus Aid, Relief and Economic Security Act)**
- Enacted March 27
- $2 trillion relief package for state & local governments; businesses of all sizes; health care providers; and individuals
- 25% increase in overall federal spending in FY20

For plan sponsor use only.
Loans and withdrawals from retirement funds

Plan participants who are impacted by COVID-19 are able to access retirement funds if allowed by the plan.

To be eligible, the individual participant, or his or her spouse or dependent, must have been:

• Diagnosed with COVID-19, or
• The individual suffered adverse financial consequences due to COVID-19 (e.g., quarantine, furlough, reduction in hours, unable to work due to lack of childcare, loss of business, etc.).

Taking a retirement plan loan or withdrawal can have a substantial impact on your financial future, so it should be considered as a last resort. Remember, when you take money out of your retirement account, it’s no longer invested, and you may lose potential growth needed to help fund your retirement. If a withdrawal is not repaid, the reduction will be a permanent reduction in your retirement account. Participants should consult their financial advisor and tax advisor before taking a loan or withdrawal.
Loans and withdrawals from retirement funds (continued)

• Eligible participants may withdraw, penalty tax free, up to $100,000 between Jan. 1, 2020 and Dec. 31, 2020. Withdrawals are taxable. Taxes must be paid over a three-year period, but can be avoided by repaying the withdrawal to the account within three years.

• If loans are allowed by the retirement plan, eligible participants may borrow from their plan. The loan limit for a plan may be increased to the lesser of $100,000 or 100% of the participant’s vested account balance. This only applies to loans made before Sept. 23, 2020.

Taking a retirement plan loan or withdrawal can have a substantial impact on your financial future, so it should be considered as a last resort. Remember, when you take money out of your retirement account, it’s no longer invested, and you may lose potential growth needed to help fund your retirement. If a withdrawal is not repaid, the reduction will be a permanent reduction in your retirement account. Participants should consult their financial advisor and tax advisor before taking a loan or withdrawal.

For plan sponsor use only.
The true cost of taking a withdrawal

Withdrawing $10,000 leaves you with $6,300 after taxes and penalties

<table>
<thead>
<tr>
<th>Results Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount to withdrawal</td>
</tr>
<tr>
<td>Your current age</td>
</tr>
<tr>
<td>Federal income tax rate</td>
</tr>
<tr>
<td>State income tax rate</td>
</tr>
<tr>
<td>Taxes due</td>
</tr>
<tr>
<td>After taxes</td>
</tr>
</tbody>
</table>

*For this calculation we assume that all contributions to the account were made on a pre-tax or tax deductible basis and is made under the CARES Act, where early withdrawal penalties do not apply.

Source: Dinkeytown.net
Changes to RMD for 2020

• Required minimum distributions (RMDs) waived for 2020.
• For 2019 RMDs deferred until Apr. 1, 2020:
  – If 2019 RMD due Apr. 1, 2020 not yet taken – none is required
  – If the 2019 RMD paid in 2020 – it can be rolled over, including back into the account it came from
  – If 2019 RMD taken in 2019 – no relief available
• RMD deferral is important because of the significant drop in the markets. The RMD would be disproportionate to the value of the retirement account based on today’s values.
• The IRS delayed the 60-day period in 2009 when the Worker, Retiree and Recovery Act suspended RMDs. We are not sure if they will do so during this time. We are awaiting their guidance.
Keeping your plan compliant

• Regardless of the plan’s current allowable provisions as adopted in the plan document, the CARES Act allows plans to begin administering these relief measures to their participants immediately.

• The plan document will need to be amended on or before the last day of the first plan year beginning on or after Jan. 1, 2022. For example, if a plan has a plan year end of Dec. 31, then the plan would need to be amended on or before Dec. 31, 2022. Governmental plans have an additional two years to adopt amendments, until 2024.

• The IRS also granted an additional three-month extension of the remedial amendment period for 403(b) plans originally due on March 31, 2020. The deadline to adopt the restatements on the pre-approved plan documents is now June 30, 2020.
College student loan changes

• All borrowers’ federal student loans will be automatically suspended until Sept. 30, 2020, which means no payments are due during this time.

• Federal student loans will not accrue any interest for six months - until Sept. 30, 2020.

• You’ll still get credit toward Public Service Loan Forgiveness (PSLF) as long as you are on a qualifying repayment plan, such as an income-driven repayment plan. Basically, this means each person working toward PSLF gets six months of zero-dollar qualified payments.

• For anyone that has federal loans in default, and where there is an involuntary collection (such as wage garnishment), these payments have been placed on hold until Sept. 30.
Current markets and your goals

Make sure you have the facts so you can make good, long-term decisions about your retirement.
Despite setbacks, the stock market has increased over time

Of course we cannot guarantee that history will repeat itself as past performance does not guarantee future results.
Bear markets occur, but are relatively short-lived

Of course we cannot guarantee that history will repeat itself as past performance does not guarantee future results.
Top performing asset classes change over time

### Asset class returns

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>34.6%</td>
<td>36.1%</td>
<td>5.2%</td>
<td>79.0%</td>
<td>8.3%</td>
<td>19.7%</td>
<td>28.6%</td>
<td>37.8%</td>
<td>2.8%</td>
<td>1.8%</td>
<td>31.6%</td>
<td>1.9%</td>
<td>9.0%</td>
<td>22.2%</td>
<td>8.3%</td>
<td>8.3%</td>
<td>22.1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>21.4%</td>
<td>32.6%</td>
<td>16.2%</td>
<td>59.8%</td>
<td>7.8%</td>
<td>19.8%</td>
<td>32.4%</td>
<td>21.3%</td>
<td>1.4%</td>
<td>1.4%</td>
<td>26.0%</td>
<td>1.3%</td>
<td>8.3%</td>
<td>22.1%</td>
<td>8.3%</td>
<td>8.3%</td>
<td>22.1%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>14.6%</td>
<td>26.0%</td>
<td>11.6%</td>
<td>32.5%</td>
<td>5.0%</td>
<td>19.2%</td>
<td>33.3%</td>
<td>5.0%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>21.8%</td>
<td>6.0%</td>
<td>5.0%</td>
<td>18.6%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>18.6%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2008</td>
<td>12.2%</td>
<td>28.0%</td>
<td>2.7%</td>
<td>32.8%</td>
<td>3.2%</td>
<td>16.5%</td>
<td>32.8%</td>
<td>3.2%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>21.8%</td>
<td>6.0%</td>
<td>5.0%</td>
<td>16.5%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>16.5%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>8.8%</td>
<td>27.2%</td>
<td>7.0%</td>
<td>33.8%</td>
<td>7.0%</td>
<td>16.3%</td>
<td>33.8%</td>
<td>7.0%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>21.8%</td>
<td>6.0%</td>
<td>5.0%</td>
<td>16.3%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>16.3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>4.9%</td>
<td>25.3%</td>
<td>8.5%</td>
<td>44.3%</td>
<td>8.5%</td>
<td>16.0%</td>
<td>44.3%</td>
<td>8.5%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>21.8%</td>
<td>6.0%</td>
<td>5.0%</td>
<td>16.0%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>16.0%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>4.6%</td>
<td>25.0%</td>
<td>5.5%</td>
<td>37.7%</td>
<td>5.5%</td>
<td>14.3%</td>
<td>37.7%</td>
<td>5.5%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>21.8%</td>
<td>6.0%</td>
<td>5.0%</td>
<td>14.3%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>14.3%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>3.6%</td>
<td>19.9%</td>
<td>3.2%</td>
<td>42.5%</td>
<td>3.2%</td>
<td>12.2%</td>
<td>42.5%</td>
<td>3.2%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>21.8%</td>
<td>6.0%</td>
<td>5.0%</td>
<td>12.2%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>12.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>3.7%</td>
<td>18.1%</td>
<td>4.0%</td>
<td>42.5%</td>
<td>4.0%</td>
<td>12.2%</td>
<td>42.5%</td>
<td>4.0%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>21.8%</td>
<td>6.0%</td>
<td>5.0%</td>
<td>12.2%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>12.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>2.9%</td>
<td>28.9%</td>
<td>0.8%</td>
<td>29.7%</td>
<td>0.8%</td>
<td>2.8%</td>
<td>29.7%</td>
<td>0.8%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>16.0%</td>
<td>6.0%</td>
<td>5.0%</td>
<td>2.8%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>2.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>2.8%</td>
<td>28.9%</td>
<td>0.8%</td>
<td>29.7%</td>
<td>0.8%</td>
<td>2.8%</td>
<td>29.7%</td>
<td>0.8%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>16.0%</td>
<td>6.0%</td>
<td>5.0%</td>
<td>2.8%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>2.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>2.8%</td>
<td>28.9%</td>
<td>0.8%</td>
<td>29.7%</td>
<td>0.8%</td>
<td>2.8%</td>
<td>29.7%</td>
<td>0.8%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>16.0%</td>
<td>6.0%</td>
<td>5.0%</td>
<td>2.8%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>2.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>2.9%</td>
<td>28.9%</td>
<td>0.8%</td>
<td>29.7%</td>
<td>0.8%</td>
<td>2.8%</td>
<td>29.7%</td>
<td>0.8%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>16.0%</td>
<td>6.0%</td>
<td>5.0%</td>
<td>2.8%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>2.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2018</td>
<td>2.9%</td>
<td>28.9%</td>
<td>0.8%</td>
<td>29.7%</td>
<td>0.8%</td>
<td>2.8%</td>
<td>29.7%</td>
<td>0.8%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>16.0%</td>
<td>6.0%</td>
<td>5.0%</td>
<td>2.8%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>2.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>3.9%</td>
<td>28.9%</td>
<td>0.8%</td>
<td>29.7%</td>
<td>0.8%</td>
<td>2.8%</td>
<td>29.7%</td>
<td>0.8%</td>
<td>6.0%</td>
<td>6.0%</td>
<td>16.0%</td>
<td>6.0%</td>
<td>5.0%</td>
<td>2.8%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>2.8%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Barclays, Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor’s, J.P. Morgan Asset Management.

Student Loan Solutions

- National student loan debt around $1.5 trillion
- Average student loan debt over $37,000
- 71% of educators considered changing careers

1. Federal Reserve (2019)
We can help

Remove             Reduce             Redirect

We’ve helped put educators on the path to over $200 million in federal student loan forgiveness.

Source: Based on potential savings of educators assisted by Horace Mann from October 2016 through July 2018 as calculated with the Federal Student Aid Repayment Estimator.

For plan sponsor use only.
$88,000 in debt eliminated and approximately $20,000 in retirement savings gained
Your employees don’t have to pay for help with their student loans

There are companies offering to help manage student loan debt for a fee.

You may see ads or receive emails offering to help you and your employees

Be careful considering any offer of assistance for a fee

There are no fees to apply for federal loan forgiveness programs

Horace Mann offers student loan assistance at no cost to your employees.
Out-of-pocket classroom spending

Most educators spend more than $500 a year of their own money on classroom supplies and materials

Average money spend over the past year

Sources: Scholastic Teacher & Principal School Report: Equity in Education Survey (2016)

For plan sponsor use only.
If your teachers invested that $500 each year for 30 years, they could save an additional $40,000 in retirement savings.
How Horace Mann helps

Horace Mann is a national sponsor of DonorsChoose, a not-for-profit organization that connects teachers in need of classroom resources with donors who want to help.

Horace Mann representatives around the country have brought the DonorsChoose story to the schools they serve.

Horace Mann and our representatives have donated more than $4.4 million since 2011 – funding more than 45,000 projects and impacting more than 1.6 million students.

Schools served by Horace Mann representatives have received more than $486 million in funding to date.
How to know which crowdfunding sites to trust

How can school district leaders leverage additional funding that crowdfunding sites offer — while making sure they’re maintaining existing internal controls and student protections?

Factors to consider

• Financial accountability
• Ownership of materials and supplies
• Safety and privacy

For plan sponsor use only.
Financial accountability

**Materials, not cash**
Trust the sites that purchase and send resources directly to verified schools, instead of depositing cash into teachers’ personal bank accounts.

**Transparency at every step**
Make sure the sites publicly display details about every item funded and provide clear explanations of overhead costs.

**Capturing impact**
The sites should require teachers to report on how the resources were used in the classroom and how students benefitted.

For plan sponsor use only.
Controls over materials, safety and privacy

School ownership of funded materials
While teachers should be given discretion over the use of funded resources, crowdfunding sites should designate that the school, rather than the teacher, ultimately owns the funded resources.

District visibility and reporting
Reputable crowdfunding sites notify principals when items are shipped to schools and provide line-by-line reporting of every item to districts upon request.

Student protection
Trusted crowdfunding sites used by teachers should have mechanisms for protecting student privacy, as well as a privacy policy tailored to the unique needs of students in public schools.
Questions to ask yourself

Does the site meet all the criteria we just covered?

Is the site focused on K-12 education?

Is the site run by a nonprofit organization?

**Does the site connect teachers to donors from beyond their network and to funding from companies and foundations?**
Smart crowdfunding guidance

Provide clarity to teachers on the types of technology, devices and platforms the district will support

Encourage teachers to leverage crowdfunding to support strategic district priorities

Help teachers seek out the websites that you know to be trustworthy
How Horace Mann can help

• One-on-one virtual meetings with employees to review their retirement goals and objectives as well as discuss the overall impact of a loan or withdrawal from their account.

• Presentations on:
  – The CARES Act and What it Means to You
  – Market Volatility – Stay the Course
  – Retirement Readiness
  – Financial Success
  – Student Loan Solutions
  – DonorsChoose

• We don’t just serve our community, we’re a part of it. We’re in this together.
Thank you

For additional information, please contact me:

**Steve Delisle**
Agency Consultant
Horace Mann
207-522-6003
Steve.Delisle@horacemnn.com
Disclosure

Horace Mann does not endorse, and is not responsible for, any third-party content provided in this presentation. Information from third-party media, articles and/or websites are provided for general informational purposes only, and do not constitute an offer or solicitation of any kind. They are not intended, and should not be relied upon, as investment, tax or financial advice.

This communication is not intended to be legal or tax advice. A plan sponsor should consult its own tax and legal advisors regarding the eligibility to offer a 403(b), 457(b) or 401(a) plan, the design and ongoing administration of the plan and compliance of the plan with the Internal Revenue Code, IRS regulations and other applicable law.

The information provided here is for general informational purposes only and should not be considered an individualized recommendation.

This information reflects a summary of our current understanding of certain provisions in the CARES Act. There are other significant changes in the CARES Act that may impact your long-term financial planning. As with any new law, the CARES Act’s meaning is subject to further clarification and change, as many questions are yet to be answered. You should consult with your tax, legal and financial advisors regarding your specific situation.