The CARES Act and how it may impact your plan and Partners in Education

Horace Mann

PASA

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.

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.

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.*

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.

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.*

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**

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

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.

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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.

The true cost of taking a withdrawal

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

Results Summary	
Amount to withdrawal	**$10,000**
Your current age	**35**
Federal income tax rate	**22%**
State income tax rate	**5%**
Taxes due	**$2,700***
After taxes	**$7,300**

*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.

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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

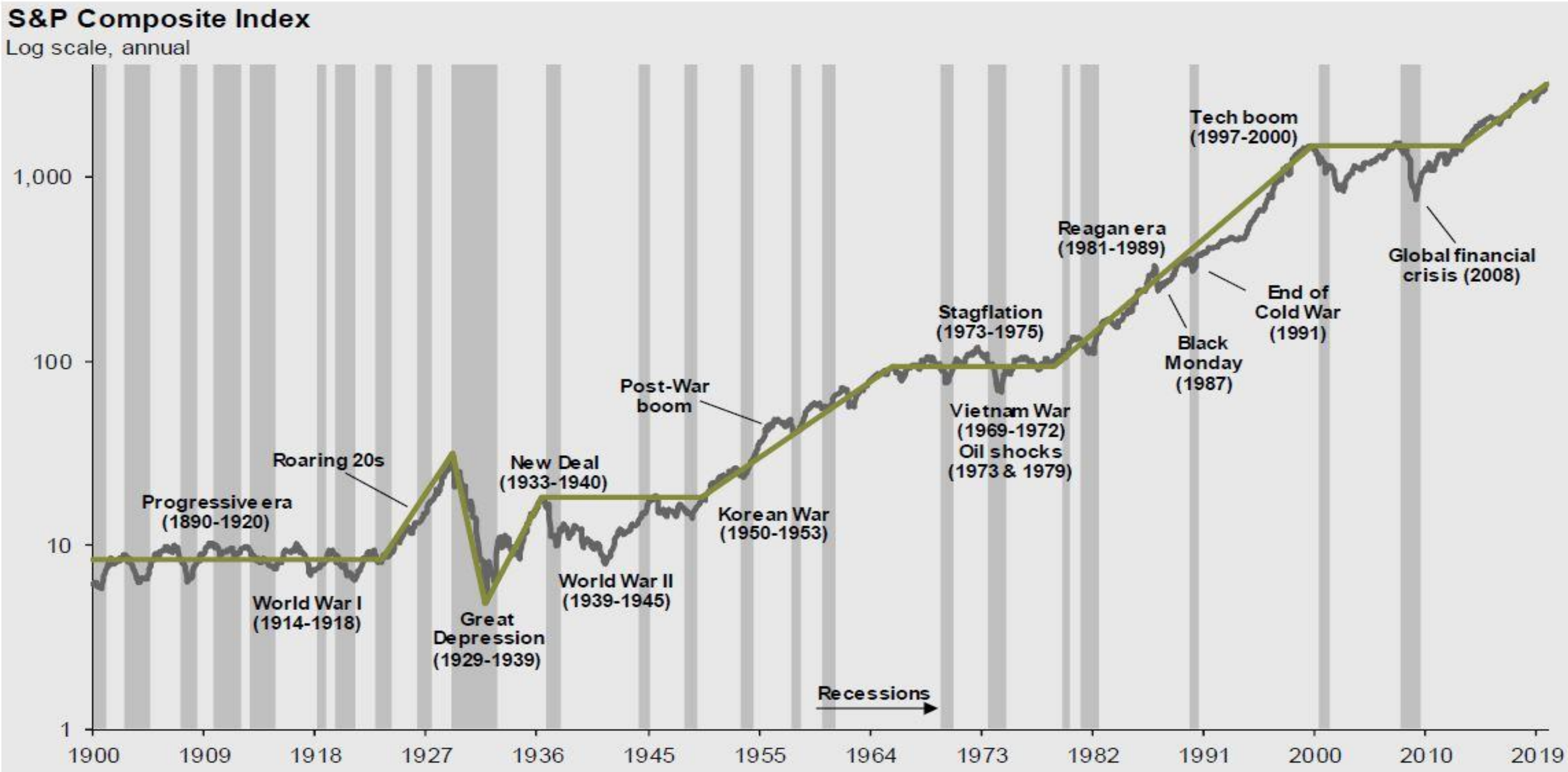
Horace Mann®

Despite setbacks, the stock market has increased over time

Stock market since 1900

GTM – U.S.

Equities



Source: FactSet, NBER, Robert Shiller, J.P. Morgan Asset Management.
Data shown in log scale to best illustrate long-term index patterns. Past performance is not indicative of future returns. Chart is for illustrative purposes only.
Guide to the Markets – U.S. Data are as of January 31, 2020.

J.P.Morgan
Asset Management

Of course we cannot guarantee that history will repeat itself as past performance does not guarantee future results.

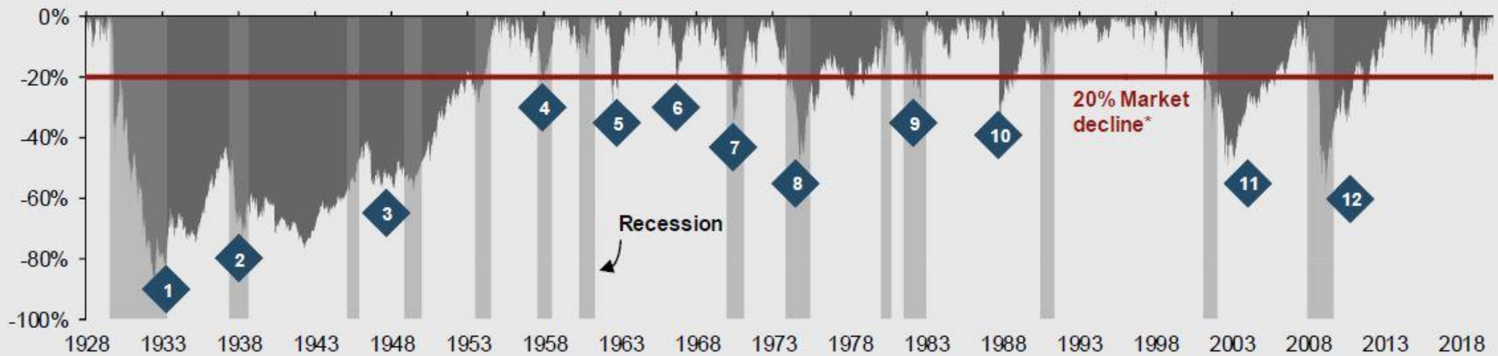
Bear markets occur, but are relatively short-lived

Bear markets and subsequent bull runs

GTM – U.S.

Equities

U.S. recessions and S&P 500 composite declines from all-time highs



Characteristics of bull and bear markets

	Market correction	Bear Market: Market peak	Bear return*	Duration (months)*	Macro environment: Recession	Commodity Spike	Aggressive Fed	Extreme Valuation	Bull markets: Bull begin date	Bull return	Duration (months)
1	Crash of 1929 - Excessive leverage, irrational exuberance	Sep 1929	-86%	32	◆			◆	Jul 1926	152%	37
2	1937 Fed Tightening - Premature policy tightening	Mar 1937	-60%	61	◆		◆		Mar 1935	129%	23
3	Post WWII Crash - Post-war demobilization, recession fears	May 1946	-30%	36	◆			◆	Apr 1942	158%	49
4	Eisenhower Recession - Worldwide recession	Aug 1956	-22%	14	◆		◆	◆	Jun 1949	267%	85
5	Flash Crash of 1962 - Flash crash, Cuban Missile Crisis	Dec 1961	-28%	6				◆	Oct 1960	39%	13
6	1966 Financial Crisis - Credit crunch	Feb 1966	-22%	7			◆	◆	Oct 1962	76%	39
7	Tech Crash of 1970 - Economic overheating, civil unrest	Nov 1968	-36%	17	◆	◆	◆		Oct 1966	48%	25
8	Stagflation - OPEC oil embargo	Jan 1973	-48%	20	◆	◆			May 1970	74%	31
9	Volcker Tightening - Whip Inflation Now	Nov 1980	-27%	20	◆	◆	◆		Mar 1978	62%	32
10	1987 Crash - Program trading, overheating markets	Aug 1987	-34%	3				◆	Aug 1982	229%	60
11	Tech Bubble - Extreme valuations, .com boom/bust	Mar 2000	-49%	30	◆			◆	Oct 1990	417%	113
12	Global Financial Crisis - Leverage/housing, Lehman collapse	Oct 2007	-57%	17	◆	◆	◆		Oct 2002	101%	60
	Current Cycle								Mar 2009	377%	130
	Averages	-	-42%	22					-	164%	54

Source: FactSet, NBER, Robert Shiller, Standard & Poor's, J.P. Morgan Asset Management.
*A bear market is defined as a 20% or more decline from the previous market high. The related market return is the peak to trough return over the cycle. Periods of "Recession" are defined using NBER business cycle dates. "Commodity spikes" are defined as movement in oil prices of over 100% over an 18-month period. Periods of "Extreme Valuations" are those where S&P 500 last 12 months' P/E levels were approximately two standard deviations above long-run averages, or time periods where equity market valuations appeared expensive given the broader macroeconomic environment. "Aggressive Fed Tightening" is defined as Federal Reserve monetary tightening that was unexpected and/or significant in magnitude. Bear and Bull returns are price returns.
Guide to the Markets – U.S. Data are as of January 31, 2020.

J.P.Morgan Asset Management

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Top performing asset classes change over time

Asset class returns

GTM – U.S.

Investing principles

																2005 - 2019	
2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	YTD	Ann.	Vol.
EM Equity 34.5%	REITs 35.1%	EM Equity 39.8%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Fixed Income 1.9%	Large Cap 9.0%	REITs 22.2%
Comdty. 21.4%	EM Equity 32.6%	Comdty. 16.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	REITs 1.3%	REITs 8.3%	EM Equity 22.1%
DM Equity 14.0%	DM Equity 26.9%	DM Equity 11.6%	Asset Alloc. -25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Cash 0.1%	Small Cap 7.9%	Comdty. 18.6%
REITs 12.2%	Small Cap 18.4%	Asset Alloc. 7.1%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	High Yield 0.1%	EM Equity 7.8%	Small Cap 17.7%
Asset Alloc. 8.1%	Large Cap 15.8%	Fixed Income 7.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	Large Cap 0.0%	High Yield 7.2%	DM Equity 17.3%
Large Cap 4.9%	Asset Alloc. 15.3%	Large Cap 5.5%	Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Asset Alloc. -0.7%	Asset Alloc. 6.6%	Large Cap 14.0%
Small Cap 4.6%	High Yield 13.7%	Cash 4.8%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	DM Equity -2.1%	DM Equity 5.3%	High Yield 10.9%
High Yield 3.6%	Cash 4.8%	High Yield 3.2%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Small Cap -3.2%	Fixed Income 4.1%	Asset Alloc. 10.0%
Cash 3.0%	Fixed Income 4.3%	Small Cap -1.6%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	EM Equity -4.7%	Cash 1.3%	Fixed Income 3.4%
Fixed Income 2.4%	Comdty. 2.1%	REITs -15.7%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	Comdty. -7.4%	Comdty. -2.6%	Cash 1.0%

Source: Barclays, Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.
Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Barclays Global HY Index, Fixed Income: Bloomberg Barclays US Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg Barclays 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg Barclays US Aggregate, 5% in the Bloomberg Barclays 1-3m Treasury, 5% in the Bloomberg Barclays Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period of 12/31/04 – 12/31/19. Please see disclosure page at end for index definitions. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of January 31, 2020.

J.P.Morgan Asset Management

Student Loan Solutions

National student loan debt around **$1.5 trillion**[1]

Average student loan debt over **$37,000**[2]

71% of educators considered changing careers[3]

1. Federal Reserve (2019)
2. National Center for Education Statistics (2016)
3. Horace Mann Educator Advisory Panel (2015)

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.

See how it works …

Meet Kate

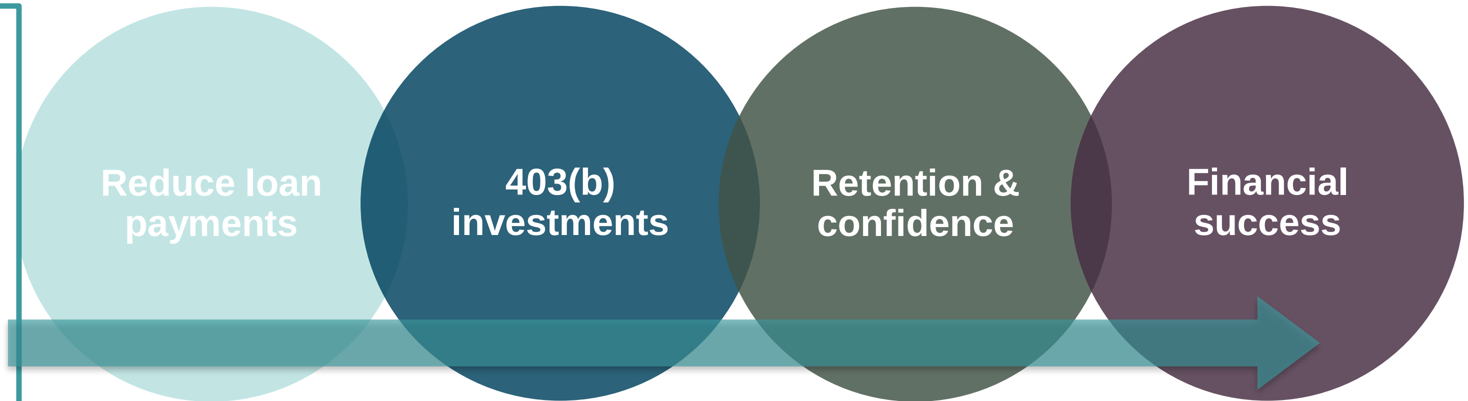
Age: **24**

AGI: **$30,000**

Beginning student loan debt total: **$50,000**

Monthly payments: **$347/mo for 300 months**

Retirement savings: **$0/mo**



Income-based repayments

Old loan payment: **$347/mo**

New loan payment: **$99/mo**

Save for the future

Old investment/mo: **$0**

New investment/mo: **$100/mo**

Adjusted loan payment: **$89/mo**

Continue teaching

Continue teaching: **10 years while making 120 payments**

Continue investing: **$100+5% annually**

Submit PSLF eligibility form

Goals achieved

Age: **34**

Debt eliminated: **$88,000+**

Total saved for retirement: Approximately **$20,000+**

$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

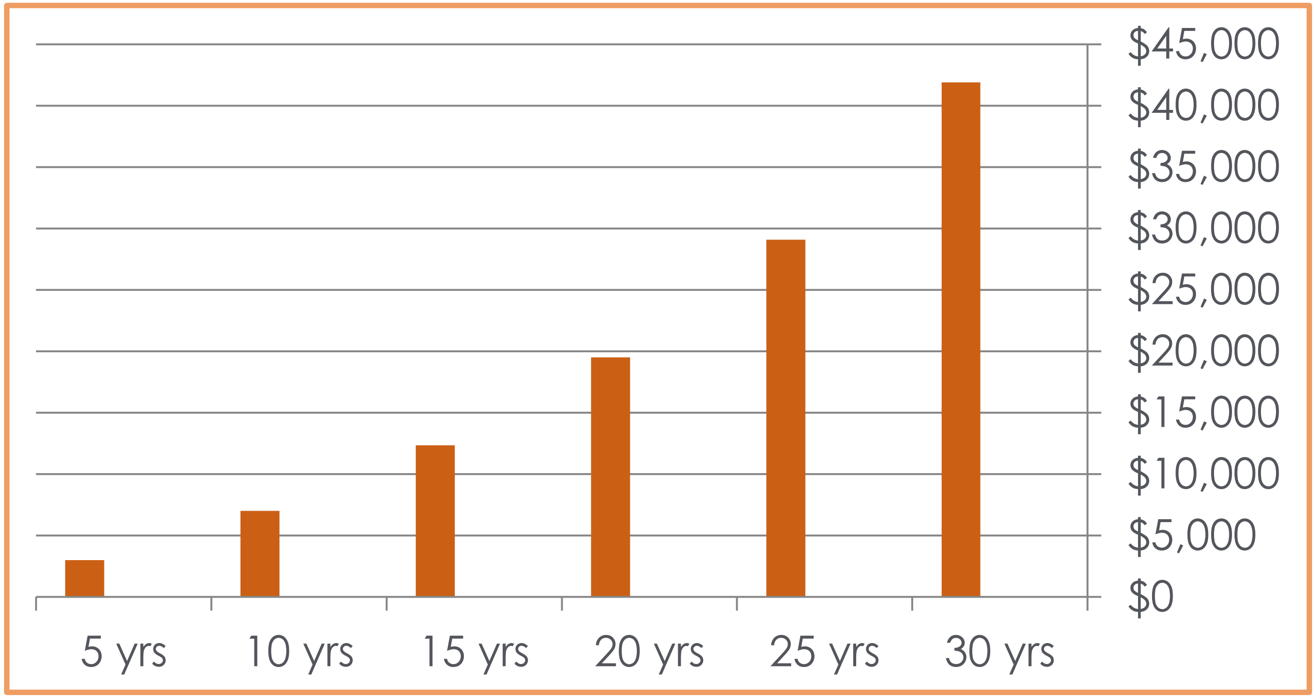
Most educators spend more than $500 a year of their own money on classroom supplies and materials

Average money spend over the past year

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

Your teachers could invest that savings

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.

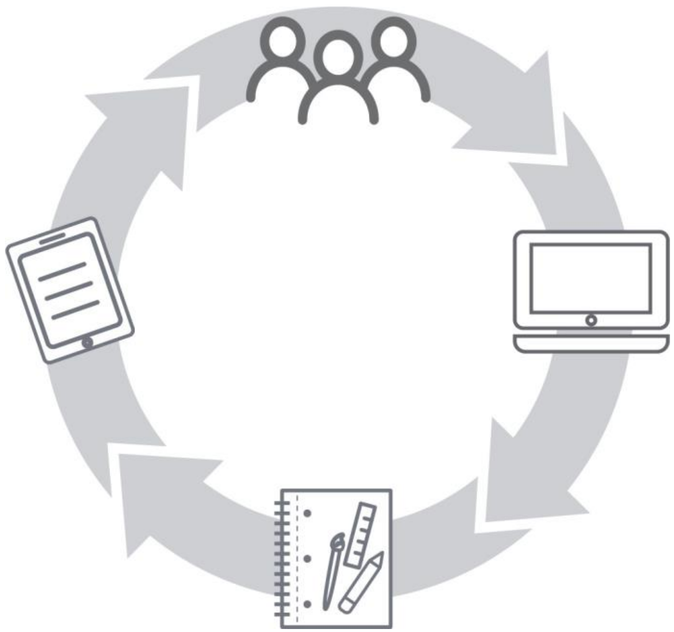
Horace Mann representatives around the country have brought the DonorsChoose story to the schools they serve.

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?



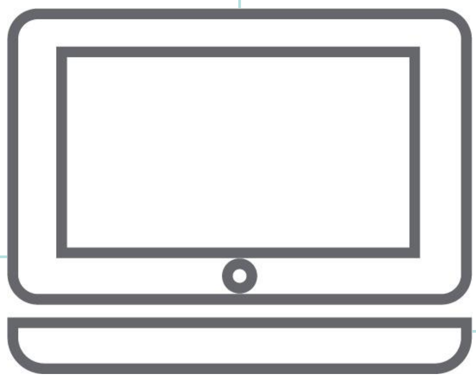
Factors to consider

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

Financial accountability

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

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



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

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:

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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.

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