

457 DEFERRED COMPENSATION PLAN EMERGENCY WITHDRAWAL PACKET



This booklet contains the following forms:

- 457 Deferred Compensation Plan Emergency Withdrawal Form
- 457 Deferred Compensation Plan Emergency Withdrawal Worksheet

INTRODUCTION

Your deferred compensation plan, with its tax-deferred feature, is one of the best ways you have available to accumulate savings for retirement. Emergencies, however, do occur. A strictly defined Internal Revenue Code (the Code) provision in your deferred compensation plan allows withdrawals in the event of an unforeseeable emergency. These withdrawals are an exception from normal retirement benefits under the plan.

If you are separated from service, do not use this packet, since you are eligible for a withdrawal at any time. Instead, please call ICMA-RC and request a 457 Benefit Withdrawal Packet.

DEFINITION

Unforeseeable emergencies within a Section 457 deferred compensation plan are very strictly defined by Internal Revenue Code provisions. Deferred compensation is for retirement purposes. Its tax-deferred privileges are granted because funds are not readily available to the participant.

A plan not operating in compliance with the Code and IRS regulations is at risk of being deemed ineligible, with all plan assets immediately taxed. ICMA-RC assists with the compliance status of emergency withdrawal requests to protect the tax-deferred status of the assets in your employer's plan.

An unforeseeable emergency is defined as a severe financial hardship created by:

- *sudden* and *unexpected* illness or accident to you or your dependents,
- loss of, or damage to, your property due to an accident, disaster, destruction or theft, or
- other similar, equally severe and *unforeseeable* circumstances beyond your control.

Assets in your deferred compensation account must represent a last resort. The emergency situation must be one that cannot be relieved through insurance reimbursement, cash in savings accounts and credit unions, cash value of life insurance or the liquidation of other assets, a loan from your deferred compensation account, or ceasing contributions.

For an emergency to comply with the Code and IRS regulations, it must satisfy **all** of the following:

- Financial hardship must be severe and beyond your control.

- Funds in your deferred compensation account must represent a last resort.
- Emergency circumstances must be *sudden*, unexpected, and unbudgetable.
- In the event of sudden illness, financial hardship must result from events affecting you or a dependent who can be claimed on your tax return.

Although there is no limit on the number of emergency withdrawals that may be made, each request must satisfy all of the conditions above.

ELIGIBILITY TEST

To test whether or not your particular situation might qualify as an emergency, pose these key questions:

- If the situation is not one specifically allowed by the regulations, is it as severe a hardship as, for example, sudden illness or accident?
- Is the situation unforeseeable and beyond your control?
- Could you have budgeted for the situation?
- Are you eligible for a loan to cover the emergency from your 457 plan?

EXAMPLES OF QUALIFYING AND NON-QUALIFYING CIRCUMSTANCES

Regulations under the Code offer only four covered specific circumstances:

- 1) medical expenses resulting from your sudden illness or accident
- 2) medical expenses resulting from the sudden illness or accident of one of your dependents
- 3) loss of property due to casualty
- 4) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond your control.

In all of these circumstances, if insurance covers the expenses, deferred compensation assets may not be withdrawn. Specific events not considered emergencies by the IRS are purchase of real estate and payment of college tuition. Other situations may not comply with IRS regulations. Please see the table on the next page for a list of potential examples of qualifying and non-qualifying requests.

Examples of Non-Qualifying Requests	Examples of Qualifying Requests
<ul style="list-style-type: none"> • Purchase of a home or automobile • Education expenses, such as college tuition • Normal monthly expenses, including rent or mortgage payments, utilities, credit card bills and car payments • Loss of overtime or second job • Routine medical and dental bills, elective/cosmetic surgery, or orthodontia • Normal maternity leave • Routine home or auto maintenance • Tax liability (payment of income tax, back taxes, or fines associated with back taxes)* • Travel expenses • Personal bankruptcy (except when resulting directly and solely from illness or casualty loss)* • Legal expenses (except in criminal cases) • Marital separation, divorce or child support* • Repayment of loans <p><i>*Although not reflected in the Internal Revenue Code, the IRS has stated in question-and-answer sessions that these situations would not comply.</i></p>	<ul style="list-style-type: none"> • Lost wages (realized) • Medical bills resulting from an accident or unexpected illness that are not covered by insurance • Damage to your home due to an accident or natural disaster (beyond insurance reimbursement) • Damage to your car or other personal property due to an accident or natural disaster (beyond insurance reimbursement) • Loss of your property due to theft (beyond insurance reimbursement) • Legal bills involving criminal charges against you or your dependent(s) • Expenses associated with the imminent foreclosure of, or eviction from, a participant's residence • Non-refundable deductibles and prescription medicine expenses associated with medical expenses resulting from the sudden illness or accident of you or one of your dependents • Funeral expenses for a spouse or dependent <p>Please note: Unreimbursed medical expenses and expenses related to property loss or damage must be incurred and supported by bills – estimates will not be accepted.</p>

EMERGENCY WITHDRAWAL PROCEDURES

Before an emergency withdrawal disbursement is made, you must:

- Determine that suspending contributions will not satisfy the financial need
- Exhaust all available loan options from your deferred compensation or defined contribution account(s)
- Obtain all proper documentation
- Obtain your employer's authorization

Documenting Your Request

The *Emergency Withdrawal Form* asks you to describe the emergency and confirm that it meets the guidelines. The form requires that you attach any documents supporting your request, including information about the circumstances, financial impact of the emergency, and the nature of your

other resources available to meet the emergency. For example, a request for lost wages should include:

- ✓ a pay stub showing your normal pay rate
- ✓ pay stubs showing no wages and all leave balances exhausted
- ✓ a letter from your employer (or doctor, if applicable) explaining the reason for your absence.

If you do not provide adequate documentation with your emergency withdrawal request, processing may be delayed. Before submitting your request, be sure that you have included the following:

- ✓ Fully completed *Emergency Withdrawal Form*
- ✓ Fully completed *Emergency Withdrawal Worksheet*
- ✓ Copies of bills detailing unreimbursed medical expenses or property damage/loss

- ✓ Proof of denial of insurance coverage
- ✓ Evidence of lost wages (pay stubs, employer/doctor letter, etc.)
- ✓ Any other supporting documentation that would assist in determining whether your request qualifies

Once you have completed the form, submit it and other documentation to your employer.

Obtaining Employer Authorization

Under the Internal Revenue Code, only your employer can authorize an emergency withdrawal. Upon request, ICMA-RC will provide an opinion to the employer concerning the likely compliance of the emergency situation within the requirements of the Code and regulations.

Please be aware that if your employer seeks ICMA-RC's guidance, your request will be delayed. In order to expedite processing, please include adequate documentation verifying your emergency and the amount needed to cover the emergency.

PROCESSING AND DISBURSEMENTS

Amount

You may only withdraw reasonably sufficient funds needed to satisfy the emergency plus the tax liability on that amount.

In Section 2 on the form, please record the actual amount needed to cover your emergency and select whether the amount should be increased "grossed-up" for Federal and state income taxes. When checks are "grossed-up" for taxes, the net amount will be within \$1.00 due to rounding. Also, ICMA-RC will only "gross-up" checks for state income tax if you select a percent or no state income tax withholding. If no state income tax selection is made and you select "gross-up", ICMA-RC will only "gross-up" for Federal income tax withholding.

Example - your actual emergency is \$1,000, you elect 10% Federal income tax withholding, you elect 3% state income tax withholding, and you would like the amount "grossed-up"

1. Withdrawal amount requested to cover the actual emergency \$1,000.00
2. Withhold FEDERAL income tax at the rate of 10%
3. Withhold STATE income tax at the rate of 3%
4. Should the withdrawal amount be increased "grossed-up" to cover the Federal and state income tax withholding?

Yes No

Gross amount of your check	\$1,149.43
Federal income tax withholding	\$ 114.94
State income tax withholding	\$ 34.49
Net amount of your check	\$1,000.00

Taxation and Withholding Requirements

As you are aware, the money you have deferred has not been included in your gross income. No federal or state income taxes have been paid. If your emergency withdrawal request is granted, you will receive a Form 1099-R at the end of the year. You will have to include the total amount withdrawn in your gross income for the tax year in which you receive this payment.

Because an emergency withdrawal from your 457 deferred compensation plan is not considered an "eligible rollover distribution" by the Internal Revenue Service, it is not subject to the 20% mandatory withholding requirement. ICMA-RC is required to withhold Federal and state income tax unless you provide instructions on the form. Regardless of your withholding election, you are ultimately liable for payment of Federal and state income tax on your payment. If no withholding instructions are provided, ICMA-RC will withhold 10% for Federal income taxes and will withhold the applicable state income taxes.

ICMA-RC Processing

Submitting inadequate documentation to your employer will delay the processing of your withdrawal request.

Upon receipt of your employer-approved request, ICMA-RC will review it for completeness. Be sure to include your daytime phone number on page 1 of the form, so ICMA-RC can contact with you if necessary.

Disbursement

Payments for emergency withdrawals are made daily from participant accounts. Completed requests with your employer's signed approval should be mailed to:

ICMA Retirement Corporation
Attn: Records Management Unit
P.O. Box 96220
Washington, DC, 20090-6220

Please Note: Not providing all necessary information and documentation may result in your payment being delayed.

For further information,
please contact
Investor Services toll free at
1-800-669-7400



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• Please submit this request to your employer for authorization PRIOR to sending it to ICMA-RC.

1 Employee Information

All Information in this Box Must Always be Completed to Avoid a Delay in Processing.

Employer Plan Number _____ **Employer Plan Name** _____

Marital Status
 Married Single

Social Security Number _____ **Date of Birth** _____ **Daytime Phone Number** _____
 _____ / _____ / _____ (_____) _____
Month Day Year Area Code

Full Name of Participant

Last First M.I.

Mailing Address/Street _____ **Date of Hire** _____
 _____ / _____ / _____
Month Day Year

City _____ **State** _____ **Zip Code** _____

2 Qualification for Emergency Withdrawal

Emergency withdrawals from a 457 plan are permitted only when due to severe financial emergency, as defined by the Internal Revenue Code and regulations. Please review the following steps to determine if you qualify for an emergency withdrawal. You must attach documentation to support your answers. You may apply for an emergency withdrawal regardless of your answers to steps 1, 2, or 3. Be aware if the steps determine you probably do NOT qualify, your request may not be approved.

Step 1 Does the situation result from one of the following?

- Sudden, unexpected illness or accident of the participant Yes No
- Sudden, unexpected illness of a dependent of the participant Yes No
- Loss of the participant's property due to casualty Yes No
- Similar extraordinary unforeseen circumstances Yes No

If you answered "No" to ALL of the questions in Step 1, you probably do NOT qualify for an emergency withdrawal.

Step 2 Was the situation?

- A severe financial hardship? Yes No
- Unforeseeable, beyond your control, and could not be budgeted for? Yes No

If you answered "No" to either of the questions in Step 2, you probably do NOT qualify for an emergency withdrawal.

Step 3 Can any of the following action(s) provide funds to cover this situation?

- Insurance proceeds Yes No
- Taking a loan from your 457 plan (if the plan allows) Yes No
- Suspension of deferred compensation contributions* Yes No
- Liquidating assets such as a savings account** Yes No

* Only required if ceasing contributions would satisfy the hardship or if your employer requires this. For example, if the request is for a large amount and your current contributions are for a small amount, ceasing contributions is not required. However, if the request would be satisfied by ceasing contributions for a period of time, the request should not be submitted.
 ** Unless liquidation would itself constitute a hardship

If you answered "Yes" to ANY of the questions in Step 3, you probably do NOT qualify for an emergency withdrawal.

Step 4 Please attach documentation to explain and verify your situation as indicated above. Space has been provided, but please attach additional sheets/documentation as needed. We recommend you supply:

- Supporting documentation or explanation on why this situation was sudden / unexpected / unforeseen
- Supporting documentation or explanation on why this situation is severe
- Supporting documentation or explanation on why this situation is not covered by insurance
- Supporting documentation or explanation on why this situation can not be covered by liquidating assets
- For incurred lost wages, a pay stub with your normal pay rate, a pay stub with no wages, and a letter from your employer explaining the reason
- Any medical bills or car/home repair work must have an explanation as to why the expense it is not covered by insurance (the bills must be incurred so no estimates are acceptable)



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Employer Plan Number _____

Social Security Number _____

<p>3 Withdrawal Request</p>	<p>1. Amount requested to cover the actual emergency \$ _____, _____ . _____</p> <ul style="list-style-type: none"> • This amount may not be greater than the actual emergency expense. • <u>Do not add tax liability to this amount.</u> See #4 in this section on how to "gross up" for taxes. • Amounts withdrawn due to emergencies are NOT eligible to be rolled over to another qualified plan or IRA • ICMA-RC is required to withhold Federal and state income tax unless you provide instructions. Regardless of your withholding election, you are ultimately liable for payment of Federal and state income tax on your payment. If no withholding instructions are provided, ICMA-RC will withhold 10% for Federal income taxes and will withhold the applicable state income taxes. <p>2. <input type="checkbox"/> Withhold FEDERAL income tax at the rate of _____ % OR <input type="checkbox"/> no withholding</p> <p>3. <input type="checkbox"/> Withhold STATE income tax at the rate of _____ % OR <input type="checkbox"/> no withholding</p> <p>4. Should the withdrawal amount be increased "grossed-up" to cover the Federal and state income tax withholding? Please note that ICMA-RC can only increase payments for income tax if you elect a percentage or no withholding. Incurred lost wages are not eligible to be "grossed-up".</p> <p style="text-align: center;"><input type="checkbox"/> Yes <input type="checkbox"/> No (Default option)</p>
<p>4 Mailing Options</p>	<p>Send Payment To:</p> <p><input type="checkbox"/> Permanent Address</p> <p><input type="checkbox"/> Alternate address (mailing address different from permanent address):</p> <p>_____</p> <p>City _____ State ____ Zip Code _____ - _____</p> <p><input type="checkbox"/> Check mailed to Financial Institution (Not considered a Rollover)</p> <p>Bank/Institution Name _____</p> <p>Address _____</p> <p>City _____ State ____ Zip Code _____ - _____</p> <p>Account Number _____</p>
<p>5 Participant Authorization</p>	<p>As required by law and under penalty of perjury, I certify that the Social Security Number (Taxpayer Identification Number) I provided for myself is correct.</p> <p>Participant Signature: _____ Date: _____</p> <p>PLEASE SUBMIT THIS REQUEST TO YOUR EMPLOYER FOR AUTHORIZATION PRIOR TO SENDING TO ICMA-RC.</p>
<p>6 Employer Authorization</p> <p>For Employer's Use Only</p>	<p>As the authorized official for the employer, I certify that this request has been reviewed and hereby direct ICMA-RC to disburse funds immediately to the individual named on this request.</p> <p>Employer's Signature: _____ Date: _____</p> <p>Name of Employer Authorized Official (Please Print): _____</p> <p>Employer Authorized Official's Title: _____</p>



457 DEFERRED COMPENSATION PLAN EMERGENCY WITHDRAWAL WORKSHEET

Employer Plan Number _____

Social Security Number _____

This worksheet may assist your employer in authorizing your emergency withdrawal request. Please provide as much documentation as possible. (For example, include copies of recent utility bills, mortgage payments, medical bills, bank statements.) Submit the completed worksheet and Emergency Withdrawal Form to your employer for processing.

ASSETS	LIQUID ASSETS	FIXED ASSETS
	<p>SAVINGS:</p> <p style="padding-left: 20px;">Credit Union \$ _____</p> <p style="padding-left: 20px;">Bank \$ _____</p> <p style="padding-left: 20px;">Checking \$ _____</p> <p style="padding-left: 20px;">Cash on hand \$ _____</p> <p>INVESTMENTS:</p> <p style="padding-left: 20px;">Mutual Funds \$ _____</p> <p style="padding-left: 20px;">401(a) or 401(k)* \$ _____</p> <p style="padding-left: 20px;">IRA \$ _____</p> <p style="padding-left: 20px;">Cash value of</p> <p style="padding-left: 40px;">life insurance \$ _____</p> <p style="padding-left: 20px;">Other \$ _____</p> <p>TOTAL LIQUID ASSETS \$ _____</p> <p><small>*May not be liquid</small></p>	<p>RESIDENCE:</p> <p style="padding-left: 40px;">Market value \$ _____</p> <p>OTHER REAL ESTATE \$ _____</p> <p>AUTOMOBILES \$ _____</p> <p>OWNERSHIP INTERESTS</p> <p style="padding-left: 20px;">IN SMALL BUSINESS \$ _____</p> <p>PERSONAL PROPERTY \$ _____</p> <p>OTHER \$ _____</p> <p>TOTAL FIXED ASSETS \$ _____</p>
LIABILITIES	SHORT-TERM LIABILITIES	LONG-TERM LIABILITIES
	<p>(OUTSTANDING BILLS)</p> <p style="padding-left: 20px;">TAXES DUE \$ _____</p> <p style="padding-left: 20px;">INSURANCE PREMIUMS \$ _____</p> <p style="padding-left: 20px;">RENT OR MORTGAGE \$ _____</p> <p style="padding-left: 20px;">UTILITIES \$ _____</p> <p style="padding-left: 20px;">CHARGE ACCOUNTS \$ _____</p> <p style="padding-left: 20px;">CAR PAYMENT \$ _____</p> <p style="padding-left: 20px;">MEDICAL BILLS \$ _____</p> <p style="padding-left: 20px;">OTHER \$ _____</p> <p>TOTAL SHORT-TERM LIABILITIES \$ _____</p>	<p>(LOAN BALANCES)</p> <p style="padding-left: 20px;">MORTGAGE \$ _____</p> <p style="padding-left: 20px;">AUTO LOAN \$ _____</p> <p style="padding-left: 20px;">EDUCATION \$ _____</p> <p style="padding-left: 20px;">PERSONAL LOANS \$ _____</p> <p style="padding-left: 20px;">OTHER \$ _____</p> <p>TOTAL LONG-TERM LIABILITIES \$ _____</p>



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