

The State of Rhode Island and Providence Plantations Deferred Compensation Program

Guidelines for an Unforeseeable Emergency Withdrawal

The Plan is administered under the authority of the Internal Revenue Code Section 457. The Plan is designed to provide tax-deferred supplemental retirement income, and as such, the Internal Revenue Service (IRS) severely restricts the access to deferred compensation accounts. For this reason, a deferred compensation account should not be viewed as a regular savings account, which is readily accessible. Participants have been given the opportunity to delay the payment of taxes, and therefore, the IRS rules govern if, and when, funds may be withdrawn. Hence, the Plan is strictly bound by IRS regulations on what constitutes an unforeseeable emergency. The Plan's tax-deferred status could be rescinded, thus affecting all participants, if the IRS determined that the Plan was not adequately screening requests for emergency withdrawals.

It is important you understand that the tax laws and the Plan only allow an emergency withdrawal if it is needed to alleviate a "severe financial hardship" resulting from an "unforeseeable emergency". An "unforeseeable emergency" as defined by the IRS includes: (1) a sudden and unexpected illness or accident befalling you or of one of your dependents (see IRS definition of dependent below); (2) a loss of your property due to casualty; or (3) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond your control. According to IRS directives, withdrawals for foreseeable expenses are not permitted, e.g. a down payment on a home, purchase of an automobile, or college expenses. Furthermore, emergency withdrawals will not be allowed in cases where the participant had significant control and failed to exercise prudent judgement, e.g. abuse of credit cards, obligations related to investments, business ventures, gambling debts, or any violations of the law.

An emergency withdrawal is permitted only to the extent the hardship cannot be relieved by: (1) insurance reimbursement or compensation; (2) liquidating your assets (to the extent this itself would not cause severe financial hardship); or (3) stopping deferrals under the Plan. In addition, the withdrawal is limited to the amount that is reasonably needed to satisfy the emergency.

DEPENDENT DEFINED (Internal Revenue Code Section 152)

(a) The term "dependent" means any one of the following individuals who receive over half of his/her support from the taxpayer (Plan participant) for the taxable year of the taxpayer.

- (1) Son or daughter of the taxpayer or a descendant of either.
- (2) Stepson or stepdaughter of the taxpayer.
- (3) Brother, sister, stepbrother, or stepsister of the taxpayer.
- (4) Father or mother of the taxpayer, or an ancestor of either.
- (5) Stepfather or stepmother of the taxpayer.
- (6) Son or daughter of a brother or sister of the taxpayer.
- (7) Brother or sister of the father or mother of the taxpayer.
- (8) Son-in-law, daughter-in-law, father-in-law, mother-in-law, brother-in-law, or sister-in-law of the taxpayer.
- (9) An individual who, for the taxable year of the taxpayer, has as his/her principal place of residence the home of the taxpayer and is a member of the taxpayer's household.

(b) The term "dependent" does not include any individual who is not a citizen or national of the United States unless such individual is a resident of the United States, Mexico, or Canada. If the taxpayer is a citizen or national of the United States, the preceding sentence shall not exclude from the definition of "dependent" any child of the taxpayer legally adopted by him/her, and for the taxable year of the taxpayer, the child has as his/her principal place of abode the home of the taxpayer and is a member of the taxpayer's household.

DOES YOUR SITUATION QUALIFY AS AN UNFORESEEABLE EMERGENCY?

To further assist you in determining if you qualify for an unforeseeable emergency withdrawal, the following examples are provided. Be advised that these lists are not definitive, and your specific circumstances will ultimately determine whether or not your request is approved.

An unforeseeable emergency withdrawal would be approved for these reasons:

- Loss of your property resulting from fire, flood, theft or other catastrophic cause beyond your control.
- Financial hardship arising from a sudden and unexpected illness of you or your dependent.
- Funeral expenses of a dependent.
- Medical expenses of you or your dependent that are not reimbursed.
- Lost wages due to an unforeseeable medical condition.
- Imminent foreclosure of, or eviction from, participant's primary residence.

An unforeseeable emergency withdrawal would **not** be approved for these reasons:

- To buy a new vehicle, new home, second home, pool, etc.
- To pay marriage expenses for you or your dependent.
- To pay for vehicle repairs, appliance replacement, or home improvement/maintenance.
- To pay divorce expenses, a divorce settlement or child support.
- To pay moving expenses or alternate housing expenses due to divorce or related domestic issue.
- To pay bankruptcy expenses (except when the bankruptcy is a direct result of an unforeseeable illness or casualty.)
- To pay education expenses for you or your dependent.
- To pay bills that you knowingly incurred but cannot pay: loans (including personal loans); large credit card debt; vehicle, house or boat payments (even if needed to prevent repossession). Exception: when payment cannot be made as a direct result of an unforeseeable illness or casualty.
- To refinance debt.
- To pay expenses related to an unforeseeable emergency that befalls an individual other than you or your dependent.
- To provide for lost wages of someone who is not a dependent of the participant.
- To pay expenses related to grandchildren unless such children are claimed as dependents on the most recent tax return.
- To supplement an insurance settlement for the sole purpose of replacement with higher quality merchandise or materials.
- To cover a loss because of failure to retain insurance coverage.
- To pay elective surgery expenses that are not reimbursed.
- To pay income tax, property tax, back taxes, or penalties associated with back taxes.
- To reimburse lost wages (including overtime or holiday pay) due to disciplinary work suspension.
- To reimburse lost wages (including overtime or holiday pay) not due to an unforeseeable medical condition.
- To provide funding in cases where the participant had significant control and failed to exercise prudent judgement, e.g. abuse of credit cards, obligations related to investments, business ventures, gambling debts, or any violations of the law.

**The State of Rhode Island and Providence Plantations
Deferred Compensation Program**

Check List for Unforeseeable Emergency Withdrawal Request

All of the following forms and documentation (if applicable) must be submitted. **YOUR REQUEST WILL BE RETURNED IF NOT COMPLETE.** You are advised to make copies of these documents for your own records.

- 1. Completed Request for Unforeseeable Emergency Withdrawal
- 2. Copies of all bills associated with your unforeseen emergency

Submit the following if applicable:

- 3. Copy of your most recent tax return (e.g., Form 1040) or other legal document verifying the relationship of your dependent **if** the unforeseen emergency involves that dependent
- 4. Your insurance carrier's statement to you detailing which expenses were not covered by insurance
- 5. A doctor's statement describing your medical condition or that of your dependent
- 6. Certified proof of your dependent's death
- 7. A copy of the police report filed for the accident or theft that caused the unforeseen emergency
- 8. A letter from your employer, or your dependent's employer, verifying the amount of lost wages
- 9. Any other documentation you believe is relevant to your request

Please mail the completed forms and supporting documentation to:

State of Rhode Island
Department of Administration
Office of Employee Benefits
One Capitol Hill
Providence, RI 02908
1-401-574-8530

Once all completed forms and supporting documents are received in good order (all required forms and related documents are complete, accurate, legible and signed by you), you will be notified within five business days whether your request has been granted or denied.

If it is determined that your request meets the IRS guidelines for an unforeseeable emergency withdrawal, your unforeseeable emergency withdrawal request will be forwarded to your plan provider for processing. (Your plan provider will not honor a request to pay any other party and reserves the right to recover any payment made in excess of the amount to which the participant is entitled.) If it is determined that your request does not meet the IRS guidelines, a notification of denial will be mailed to you within 24 hours after the determination is made.

REQUEST FOR UNFORESEEABLE EMERGENCY WITHDRAWAL

Plan Name: State of Rhode Island Deferred Compensation Plan (457)	Plan Number: Fidelity (35835); TIAA (407359); Voya (VK0450)
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This request must be completed in its entirety. Do not leave blank spaces—instead insert “N/A” or “0” if applicable. To prevent delays in processing your request, please type or write legibly and provide all information and documentation requested.

I, _____ (name of participant) hereby requests an “unforeseeable emergency withdrawal” in the amount of \$ _____.

I. Personal Information

1. Home Address: _____

2. Home Phone: () _____ Work Phone: () _____

3. Participating Employer: _____

4. Social Security Number: _____

5. Dependents shown on most recent tax return:

<u>Name</u>	<u>Relationship</u>	<u>Date of Birth</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

II. Reason for Request

(Note: An emergency withdrawal is allowed only to relieve a critical and urgent situation that was unforeseen by you or your dependent. The following questions are designed to help the State of Rhode Island determine if your situation is the result of an “unforeseeable emergency” as defined by the Internal Revenue Service.)

1. According to the Internal Revenue Code Section 457, the following circumstances constitute “unforeseeable emergencies.” Place a check mark next to the ones that apply.

- _____ Sudden or unexpected illness or accident befalling the participant.
- _____ Imminent foreclosure of, or eviction from, participant’s primary residence.
- _____ Sudden or unexpected illness or accident befalling a dependent of the participant.
Dependent’s name: _____
- _____ Loss of the participant’s property due to casualty.
Identify property: _____
- _____ Other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the participant.

III. Financial Resources

(Note: An emergency withdrawal is allowed only to the extent it alleviates a “severe financial hardship” experienced by you or your dependent. The state will not approve a withdrawal if the hardship can be relieved from other sources including: (1) insurance; (2) the liquidation of assets (to the extent this itself would not cause severe financial hardship); or (3) the cessation of deferrals under the Plan. The following questions are designed to help the state determine if you meet the “severe financial hardship” requirements.)

1. Participant’s monthly income: Gross: _____ Net (after all deductions): _____
 Attach most recent payroll check stub(s). If receiving disability insurance, attach last regular payroll check stub and disability payment check stub.

2. Spouse’s monthly income: Gross: _____ Net (after all deductions): _____

3. Total dependents’ monthly income: Gross: _____ Net (after all deductions): _____

4. Monthly income from other sources (list amount and source). Examples include rental property income, child support, and alimony received.

5. Checking and Savings Accounts:

<u>Institution</u>	<u>Account Number</u>	<u>Balance</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

6. Have you already withdrawn sums from your checking or savings accounts to relieve this financial hardship?
Yes _____ No _____ If so, please give the amounts and account numbers:

7. Other Investments/Assets (do not include principal residence):

<u>Investment/Asset</u>	<u>Current Value</u>
_____	_____
_____	_____
_____	_____

8. Have you already liquidated any investments or assets to relieve this financial hardship?
 Yes _____ No _____ If so, please list the amounts received and the investments or assets liquidated:

9. Estimated monthly expenses:

Rent	_____	Charge Cards	_____
Mortgage/2 nd Mortgage	_____	Medical Bills	_____
Food and Clothing	_____	Tuition	_____
Utilities	_____	Insurance	_____
Alimony/Child Support	_____	Installment Loan	_____
Auto Loans	_____	Transportation	_____
Child/Dependent Care	_____	Other	_____

10. Charge cards and accounts:

<u>Store or Bank</u>	<u>Credit Limit</u>	<u>Balance</u>	<u>Minimum Monthly Payment</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

11. Have you attempted to obtain the needed funds from any of the applicable sources below?

- a. Insurer for the Loss, Illness or Accident Yes No
- b. Individual Retirement Account Yes No
- c. Sale of Assets Yes No
- d. Cessation of Deferred Compensation Deductions Yes No
- e. Redemption of Savings Bonds Yes No

If you responded "Yes" to any of the above options, please explain why an emergency withdrawal is still necessary.

(Continue this section on next page)

If you responded "No" to any of the above options, please explain.

**UNFORESEEABLE EMERGENCY CERTIFICATION &
ACCOUNT WITHDRAWAL AUTHORIZATION**

I hereby certify under penalty of perjury that the information provided in this request and any accompanying documents is true and accurate to the best of my knowledge. The request and attached documents are furnished solely for the confidential use of the State of Rhode Island Department of Administration in determining if I am eligible for an emergency withdrawal under the Plan. I understand that the State of Rhode Island Department of Administration's determination will depend upon the facts and circumstances of my particular case. I hereby authorize the State of Rhode Island Department of Administration to contact any institution named in this application to verify the information contained herein. If the State of Rhode Island Department of Administration determines that I am eligible for an emergency withdrawal, I hereby authorize my plan provider to withdraw the approved dollar amount from my account and withhold applicable taxes. I understand that if the withdrawal is subject to a surrender fee and/or market value adjustment, my requested distribution will be reduced accordingly if approved. I understand that once the withdrawal distribution is processed, it cannot be returned for cancellation.

Date: _____

Signature of Participant

State of Rhode Island Department of Administration Use Only

Approved
Disapproved

Reason: _____

Date: _____

Authorized Signature and Title