



Finance Department

David N. Cicilline, Mayor | Bruce T. Miller, Finance Director

City of Providence 457(b) Plan **Procedure for Unforeseen Emergency Distribution**

When an employee/plan participant requests an unforeseeable emergency distribution, an application must be completed and signed by the employee and submitted to the City Controller, as the 457(b) plan administrator, for review and approval.

The full application is a two-part triple-copy document. Both components must be completed prior to submission to the plan administrator. The first part (Appendix A) is the actual request that must be fully completed and signed by the employee. The second part (Appendix B) is a detailed explanation of the rules regarding hardship distribution. The employee must read and sign off on full acknowledgement and understanding of the described laws.

Upon receipt, the plan administrator will review all applications in a timely and efficient manner. In the event the request is approved, a copy of the completed and approved application will be given to each the employee and vendor as well as being kept on file by the city. The 457(b) plan vendor will then process the request for the employee. This distribution will also result in the employee receiving a 1099R and being responsible to pay taxes on the distribution amount during the appropriate tax year. If the review results in the request being declined, the notification will be kept on file and provided to the employee in writing.

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25 Dorrance Street Providence, Rhode Island 02903 | 401 421 7740 OFFICE

www.providenceri.com

Appendix A

REQUEST FOR AN UNFORESEEABLE EMERGENCY DISTRIBUTION APPLICATION FROM THE 457(b) PLAN

Owner's Name:

Contract/Account Number(s):

I understand that the Code and my 457(b) plan prohibit distributions prior to the occurrence of certain triggering events. I am requesting a distribution due to an Unforeseeable Emergency within the meaning of section 457(b) of the Code.

I have obtained all distributions, other than unforeseeable emergency distributions and all non-taxable loans currently available under all plans from my employer to the extent the liquidation of such assets would not itself cause financial hardship.

I certify that I cannot obtain the needed funds from any other available resources such as reimbursement or compensation from insurance or cessation of deferrals under the plan.

I was advised to consult with a tax advisor regarding the tax laws governing an unforeseeable emergency distribution and the tax consequences of this transaction and I have done so to the extent I believe necessary.

I understand and agree that this distribution may be a taxable event. I assume full responsibility for this transaction and I will be liable for any applicable federal and state income taxes, any applicable tax penalties.

Please check one and attached an explanation:

Withhold taxes from the taxable amount of the distribution _____

Do not withhold tax _____

I hereby request a withdrawal of \$_____ as an unforeseeable emergency hardship distribution from my 457(b) plan for the reason of:

Please check one

- 1) Uninsured medical expenses for self, spouse or dependent(s) _____
- 2) Loss of property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by homeowner's insurance, e.g., as a result of a natural disaster _____
- 3) Prevention of eviction from or mortgage foreclosure on my primary residence _____
- 4) Need to pay for the funeral expenses of the Participant's spouse or dependent _____
- 5) Other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant (Please attach an explanation) _____

I understand and agree that this distribution does not qualify as an eligible rollover distribution under Sections 402(c) (4) and 457(e) (16) of the Internal Revenue Code as amended by the Internal Revenue Service Restructuring and Reform Action of 1998.

I certify that all of the information that I have provided on this unforeseeable emergency distribution request form is true and accurate to the best of my knowledge.

Participants Signature _____ Date _____

Plan Sponsor's Signature – Approved _____ Date _____

Plan Sponsor's Signature – Declined _____ Date _____

Appendix B

Unforeseeable Emergency Distribution Attachment to Application

As you are applying for an Unforeseeable Emergency Distribution from your 457(b) Plan, it will be important you understand the law and its effect on you.

Rules applicable to hardship distributions

- A. Distribution.* If the Participant has an unforeseeable emergency before retirement or other Severance from Employment, the Participant may elect to receive a lump sum distribution equal to the amount requested or, if less, the maximum amount determined by the Administrator to be permitted to be distributed.
- B. Unforeseeable emergency defined.* An unforeseeable emergency is defined as a severe financial hardship of the Participant resulting from: an illness or accident of the Participant, the Participant's spouse, or the Participant's dependent; loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by homeowner's insurance, e.g., as a result of a natural disaster); the need to pay for the funeral expenses of the Participant's spouse or dependent; or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. For example, the imminent foreclosure of or eviction from the Participant's primary residence may constitute an unforeseeable emergency. In addition, the need to pay for medical expenses, including non-refundable deductibles, as well as for the cost of prescription drug medication, may constitute an unforeseeable emergency.
- C. Unforeseeable emergency distribution standard.* A distribution on account of unforeseeable emergency may not be made to the extent that such emergency is or may be relieved through reimbursement or compensation from insurance or otherwise, by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship, or by cessation of deferrals under the plan.
- D. Distribution necessary to satisfy emergency need.* Distributions because of an unforeseeable emergency may not exceed the amount reasonably necessary to satisfy the emergency need (which may include any amounts necessary to pay any federal, state, or local income taxes or penalties reasonably anticipated to result from the distribution).
- E. The following events are normally not considered unforeseeable emergencies under the Plan except to the extent authorized in Treasury Regulations:*
 - 1. Enrollment of in college or a trade school
 - 2. Purchase of a house
 - 3. Purchase or repair of an automobile
 - 4. Repayment of a loan
 - 5. Payment of income taxes, back taxes, or fines associated with back taxes
 - 6. Unpaid expenses including rent, utility bills, mortgage payments, or medical bills
 - 7. Marital separation or divorce
 - 8. Bankruptcy except when resulting directly and solely from illness or casualty loss

If you are approved for an Unforeseeable Emergency Distribution it is important you understand the disadvantages.

- 1) If you receive an Unforeseeable Emergency Distribution, you are decreasing your retirement savings. You have worked hard to build your 457(b) account balance by contributing on a regular basis.
- 2) There is the tax issue: a Unforeseeable Emergency Distribution will be taxable as income to you and may put you into a higher tax bracket

What occurs when you receive the Unforeseeable Emergency Distribution?

- 1) You will be issued a 1099R.
- 2) It will be your responsibility to pay the taxes on the Unforeseeable Emergency Distribution amount at the appropriate time of the tax season.

I, _____, have reviewed and discuss this document and completed the employer application.

Participants initial's _____ Date _____