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# City of Knoxville Deferred Compensation Plan Unforeseeable Emergency Withdrawal Procedures

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## Purpose

An Unforeseeable Emergency Withdrawal is a means to allow a participant to withdraw from their deferred compensation plan an amount deemed reasonably necessary to satisfy a need when faced with an unforeseeable emergency causing financial distress. The approval of the distribution is to be determined based on the relevant facts and circumstances as provided by the participant. If the participant qualifies under specific guidelines, the Unforeseeable Emergency Withdrawal allows them to take funds prior to a normal distributable event.

## When

Any time an Unforeseeable Emergency Withdrawal request is submitted to Prudential Retirement ("Prudential") for processing.

## Policy

The participant must provide a completed Unforeseeable Emergency Withdrawal Request form along with the required documentation to support the need for the request. The plan sponsor directs Prudential, to review the requests and make determination to approve or deny the Unforeseeable Emergency Withdrawal request based on the criteria listed below.

## Overview

An unforeseeable emergency request applies to a participant in need of a withdrawal from the deferred compensation plan prior to a normal distributable event (i.e. retirement). An unforeseeable emergency withdrawal request may only be approved for a reason that is deemed an unforeseeable or unexpected emergency to the participant as defined by the deferred compensation plan. If the participant has funds available for a loan from the plan, the loan must be initiated prior to submitting an unforeseeable emergency withdrawal request.

The determination of an unforeseeable emergency permitting a distribution from the plan is based on the relevant facts and circumstances of each case, but, in any case, a distribution due to an unforeseeable emergency may not be made to the extent that such emergency 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 in itself cause financial hardship), or by cessation of deferrals under the plan.

## Prerequisites

The participant must provide Prudential a completed Unforeseeable Emergency Request form along with all necessary documentation to support the need. The Unforeseeable Emergency Request form must be signed and dated by the participant and the documentation must meet one of the qualified reasons for an unexpected emergency listed below. Prudential will then review the paperwork to determine if it is in good order, and take one of the following steps:

Process the request at the approval of the City of Knoxville Deferred Compensation Committee. If the documentation is not in good order, request additional documentation from the participant. Identify deficiencies to the City of Knoxville Deferred Compensation Committee.

### **Below are the eligible expenses for Unforeseeable Emergency Withdrawal Request:**

- Loss of the participant's property due to casualty, (including the need to rebuild a home or repair damage to a home not otherwise covered by homeowner's insurance; such as damage that is the result of a natural disaster).
- Foreclosure on the participant's primary residence.
- The participant's eviction from his or her primary residence.
- A need to pay for medical expenses not covered by insurance, including non-refundable deductibles and the cost of prescription drug medication.
- A need to pay for funeral expenses of the participant's spouse or dependent.
- Loss of income due to medical emergency

### **Below are expenses that are NOT eligible for Unforeseeable Emergency Withdrawal Request:**

- Personal debt such as: credit cards, car payments, monthly living expenses, tuition/schooling, adoption, bankruptcy, taxes (unless sheriff sale is pending).
- Attorney fees when participant is listed as the Plaintiff or if attorney fees are pertaining to divorce.
- Purchase of a home
- Routine home repairs
- Routine car repairs
- Dental expenses/Orthodontics
- College tuition

**Any request received for a reason that is not specified in this document will not be eligible and will be denied.**

## **Required Documentation for approval:**

### **Foreclosure**

*Payment to prevent foreclosure on the mortgage of the participant's principal residence qualifies*

A foreclosure notice from financial institution, including notices indicating "intent to foreclose", a Court Order indicating intent to foreclose, or a Reinstatement Quote or Forbearance agreement.

- Foreclosure notice must be on the financial institution's or on the financial institution's attorney's letterhead, or a court order
- Foreclosure notice or court document must clearly state the exact dollar amount needed in order to remedy foreclosure proceedings
- A future due date by which the funds must be paid to prevent the foreclosure. If a future due date is not specified it can be calculated as 45 days from the issue date of the notice
- Name and address on the foreclosure notice must be the participant's name and primary residence. If name or address does not match the information on record with Prudential, the participant must submit a legible copy of current driver's license as proof of primary residence. If the information contained on participant's current driver's license does not match the information contained on the foreclosure notice, participant must submit notarized self-certification of primary residence address.

Delinquent taxes qualify if the taxes on the participant's principal residence and the property tax office is threatening foreclosure and/or tax sale. If the notice is not related to the principal residence, the Unforeseeable Emergency Withdrawal Request should be denied. The documentation must contain participant name and property address, be current date, indicate Tax Sale or Sheriff Sale and provide date of sale, along with exact dollar amount needed to prevent sale.

Court costs and attorney fees can be taken into consideration as eligible amounts for Unforeseeable Emergency Withdrawals when relating to foreclosure, if attorney services are required in order to prevent foreclosure.

*Late mortgage payments ARE NOT covered.*

## **Eviction**

*Payments to prevent eviction of the participant from the participant's principal residence qualifies*

An eviction notice - EITHER Court Order OR letter from landlord

- Eviction notice must contain contact information (address or phone number), and signature of landlord. Landlord must clearly identify him/herself as the landlord or owner of the property.
- Eviction letter or court order must *clearly* state the exact dollar amount owed and the months the balance is owed from.
- Eviction letter or court order must contain a future due date by which the funds must be paid to prevent eviction. If a date is not specified it can be calculated as 45 days from the issue date of the notice.
- Name and address on the eviction notice or court order must be the participant's name and primary residence. If name or address does not match the information on record with Prudential, the participant must submit a legible copy of current driver's license as proof of primary residence. If the information contained on participant's current driver's license is inaccurate, participant must submit notarized self-certification of primary residence address.

Court costs and attorney fees can be taken into consideration as eligible amounts for Unforeseeable Emergency Withdrawals when relating to eviction, if attorney services are required in order to prevent eviction.

*Late rent payments ARE NOT covered.*

## **Funeral Expenses**

*The need to pay for the Funeral expenses for a spouse or dependent of the participant may constitute an unforeseeable emergency.*

Invoice from funeral home

- Dated within 45 days
- Contain name of decedent
- Identify participant as responsible party for payment
- Contain outstanding balance

Copy of decedent's death certificate.

Proof of relationship to decedent will be required if relationship is not identified on the death certificate. Acceptable proof of relationship is most recent tax return, birth certificate, marriage certificate or adoption certificate.

*The following expenses are not covered:*

*-Travel expenses related to attending the funeral of an immediate family member.*

## **Medical Expenses**

Un-reimbursable expenses for medical care incurred by the participant, the participant's spouse, or any dependents of the participant (as defined in Sec. 152(a)); from illness or accident.

Current date (within 45 days) medical bills

- The patient's name (the participant, participant's spouse, child, or legal Dependent).
- Itemized bill listing provided services
- Indicate insurance has paid or denied the services
- Clearly indicate outstanding patient balance

EOBs (explanation of benefits) can be submitted for proof of insurance payment or denial, but must accompany an actual current dated bill/invoice.

Current tax return as proof of dependency.

Medical expenses that have gone to collections require a current date (within 45 days) collection notice and a corresponding bill from the original service provider indicating insurance payment or denial.

*The following expenses are not covered:*

*-Invoices that have not yet been submitted to the insurance provider.*

*-Invoices where lack of insurance coverage has not been substantiated.*

*-Previously paid medical expenses cannot be reimbursed and do not qualify.*

## **Casualty Expenses**

Expenses for the repair of damage to the participant's principal residence that would qualify for the casualty deduction under IRC section 165. A Casualty is the damage, destruction, or loss of property resulting from an identifiable event that is sudden, unexpected, or unusual.

- A sudden event is one that is swift, not gradual or progressive.
- An unexpected event is one that is ordinarily unanticipated and unintended.
- An unusual event is one that is not a day-to-day occurrence and that is not typical of the activity in which you were engaged.

Casualty losses can include, but are not limited to: Car accidents (this only applies to accidental damage to the car due to a storm or natural causes. Motor vehicle accidents and car repair do not apply), Earthquakes, Fires and Floods Storms, including hurricanes and tornadoes, and Vandalism.

The location of the loss must be participant's primary residence.

Unpaid invoices and or contracts from a contractor

- Invoice must contain participant's full name and repair/construction address. If name or address does not match the information on record with Prudential, the participant must submit a legible copy of current driver's license as proof of primary residence. If the information contained on participant's current driver's license is inaccurate, participant must submit notarized self-certification of primary residence address
- Contract or invoice must be dated within the past 45 days and be signed by both participant and contractor
- Invoice or contract must contain the total outstanding cost of repair

Written statement from participant detailing the cause of the damage

Copies of insurance claims related to the damage

- If cost of repair is less than participant's insurance deductible, a copy of the current policy specifying the deductible is acceptable in place of insurance claim
- If participant indicates the property is not insured, a signed, dated, notarized statement from the participant certifying the property is uninsured is required

The following is not covered:

- *Damage or destruction caused by progressive deterioration is not considered to be a casualty. This is because the damage results from a steadily operating cause or a normal process, rather than from a sudden event.*

Examples include:

- *steady weakening of a building due to normal wind and weather damage*
- *deterioration and damage to a water heater*
- *most losses of property caused by droughts*
- *termite or moth damage*
- *damage or destruction of trees, shrubs, or other plants by a fungus, disease, insects, worms, or similar pests (however, a sudden destruction due to an unexpected or unusual infestation of beetles or other insects may result in a casualty loss)*
- *Invoices that were extinguished or satisfied*
- *Losses that are covered by an insurance provider or where lack of insurance coverage has not been substantiated*

**Loss of Income due to medical emergency (requests will be routed back to the City of Knoxville for confirmation that the requests meeting the following requirements:**

Active participants will be allowed to make an Unforeseeable Emergency Withdrawal if:

- (1) the participant has been approved for long term disability (LTD) benefits under the LTD policy provided through the City of Knoxville,
- (2) the participant has not received income from the City of Knoxville for a cumulative period totaling four weeks during the period the employee was deemed disabled under the LTD approval, and
- (3) the reason for the loss of income from the City of Knoxville is the disability for which the LTD was approved.

For the purpose of this paragraph, income from the City of Knoxville shall be defined as including pension benefits and workers compensation temporary total disability benefits from the City of Knoxville but shall not include other forms of workers compensation benefits. The amount of withdrawal shall not exceed the loss of income from the City minus any LTD benefits received.

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The plan sponsor confirms that the information supplied within this document is correct and complete and acknowledges that Prudential will rely on this information in providing services to the plan.

Plan name: **City of Knoxville Deferred Compensation Plan**

Agreed for plan sponsor by: 

Print name: Gary Eastes

Title: Risk/Benefits Manager

Date: 2-13-2012