

# Guidelines and Application for Unforeseeable Emergency Hardship Withdrawals

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## *Introduction*

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The Commonwealth of Virginia's Deferred Compensation Plan (the "Plan") allows withdrawals in the event of an unforeseeable emergency resulting in a severe financial hardship as defined in §457 of the Internal Revenue Code (the "Code"), provided that certain conditions are met. The Virginia Retirement System (VRS), the Plan sponsor, recognizes that emergencies do occur and has chosen to allow distributions from the Plan. Distributions from the Plan may be made to participants when a genuine unforeseeable emergency causes a severe financial hardship that cannot be alleviated by any other means available to you.

Your deferred compensation account receives tax-deferred treatment from the IRS because these funds are intended for your retirement. Each situation must be carefully reviewed for compliance with the Code to protect the tax-deferred status of the assets in the Plan. A withdrawal cannot be taken unless your emergency complies with IRS requirements allowing a distribution.

This guide is designed to help you determine if your situation qualifies for an unforeseeable emergency hardship withdrawal from the Plan. Assets in your deferred compensation account may be withdrawn only as a last resort in situations where you have no other source of funds. If you can relieve the financial hardship by ceasing deferrals into the Plan, you may not take a withdrawal. Likewise, the Code does not allow you to withdraw money from the Plan if the financial hardship can be relieved by insurance reimbursement, cash in savings accounts, cash value of life insurance, loans from a financial institution, the sale or liquidation of other assets or any other means available to you.

You may not withdraw funds in excess of the amount required to alleviate the hardship resulting from the unforeseeable emergency. However, you may request an additional amount to pay the taxes that will be due on the withdrawal. The amount of distribution you receive may not exceed the amount in your Deferred Compensation Plan. You may **not** withdraw money from your Cash Match Plan for an unforeseeable emergency.

Whether your application is approved or not, you may want to consider whether suspending or reducing your contributions might alleviate some of your financial difficulties. If you decide to change your contribution to the Plan, you must provide a signed Payroll Authorization Form to your agency's payroll office. The form may be obtained from you agency's payroll officer or from the Plan's Web site at [www.vadcp.com](http://www.vadcp.com) under 457 Plan/Forms.

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## ***Unforeseeable Emergency Definition***

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For purposes of the Plan, an unforeseeable emergency is defined as a severe financial hardship of the participant or the participant's beneficiary resulting from:

- An illness or accident of the participant or the participant's beneficiary, the participant's or beneficiary's spouse or the participant's or beneficiary's dependent, (as defined in Code section 152(a));
- Loss of the participant's or beneficiary's property due to casualty;
- The following extraordinary and unforeseeable circumstances if they arise as a result of events beyond the control of the participant or the beneficiary:
  - The imminent foreclosure of or eviction from the participant's or beneficiary's primary residence;
  - The need to pay for medical expenses, including nonrefundable deductibles, as well as the cost of prescription drug medication;
  - The need to pay for the funeral expenses of a spouse or dependent (as defined in Code section 152(a)).

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## ***Situations Not Eligible for Withdrawal***

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The following situations do not qualify for a hardship withdrawal unless the situation results from an unforeseeable emergency as defined earlier:

- Purchase of real estate;
- Payment of college tuition;
- Unpaid rent or mortgage payments, except in the event of imminent foreclosure or eviction;
- Unpaid utility bills;
- Loan repayments;
- Personal bankruptcy (except when resulting directly and solely from illness, casualty loss or other similar extraordinary and unforeseeable circumstances beyond your control);
- Payment of income taxes, interest or penalties;
- Marital separation or divorce;
- Legal fees;
- Purchase or repair of an automobile;
- Purchase or repair of a furnace or air conditioner; or
- Credit card debt.

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## ***How to Apply***

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The Application for Unforeseeable Emergency Hardship Withdrawal includes a Statement of Need that must be completed. You must 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. The documents required to support your application are listed in the Supporting Documentation section below.

Send the application and supporting documents to:

Great West Retirement Services  
Virginia Deferred Compensation Plan  
Two Hannover Square, Suite 1640  
Raleigh, NC 27601

If you have any questions about applying for the withdrawal, contact Great West Retirement Services at 888/600-2763.

If the application is incomplete or adequate documentation is not provided with the application, there may be a delay in processing your request. If you are asked to provide additional documentation you must do so within 10 days of the request or your case will be closed.

You will receive notification of the application status within 10 business days from the date your completed application is received. If your application is approved, you will receive your distribution check within 15 business days of the date your application was approved.

You will be notified of the final decision by mail. Please keep a copy of your Application for Unforeseeable Emergency Hardship Withdrawal for your records.

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## ***Supporting Documentation***

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Include the following documentation, if pertinent, with your completed application:

- Most recent paycheck stub,
- Disability or Workers' Compensation check stub,
- Most recent spouse's paycheck stub showing payroll deductions (if applicable),
- Copy of foreclosure or eviction notice,
- Medical bills showing amount required to pay,
- Contractor's estimate for repair due to catastrophic damages, statement from appropriate government agency or contractor attesting to cause of damage (earthquake, theft, etc.),
- Copy of Internal Revenue tax filing for legal dependents other than spouse and children,
- Copy of funeral bills,
- Copy of medical statements with medical condition and expected return to work date,
- Most recent copy of checking account, savings account or credit union statement, and/or

- Letter of denial of loan application.

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## ***Tax Implications***

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The distribution from the Plan is subject to state and federal income tax, but is not subject to an early withdrawal penalty. If you are approved for the withdrawal you may also request the amount required to pay the taxes that will be due on the withdrawal.

If your unforeseeable emergency hardship withdrawal request is approved, the amount distributed will be reported on an IRS Form 1099-R and will be includible in your gross income for both federal and state income tax purposes in the year the distribution is made. The wage withholding rules will apply to the withdrawal.

Any withdrawal you receive is subject to federal and state income tax withholding unless you elect not to have the withholding apply. You may elect not to have withholding apply by indicating that on the Application for Unforeseeable Emergency Hardship Withdrawal, signing and dating the Application form and providing it to Great West Retirement Services. If you do not indicate that you elect not to have withholding apply, 10 percent of the distribution will be withheld for federal income taxes and 4 percent for state income taxes. You may also indicate on the Application if you wish more to be withheld.

If you elect not to have withholding apply to your withdrawal payment, or if you do not have enough federal or state income tax withheld from your withdrawal, you may be responsible for payment of estimated taxes. You may incur penalties under the estimated tax rules if your withholding and estimated tax payments are not sufficient.

If a withdrawal is approved, the amount you receive may not be rolled into an IRA or any other retirement or tax-deferred savings plan.

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## ***How to Appeal a Denial***

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If all or a portion of the amount you requested is denied, you have the right to appeal the decision. Your appeal must be in writing, with all supporting documentation. The appeal should be submitted to the Virginia Retirement System at the address shown below and must be received at VRS within 30 days of the letter of denial.

Virginia Retirement System  
Member Services Director  
DCP Emergency Withdrawal  
P.O. Box 2500  
Richmond, VA 23218-2500

# APPLICATION FOR UNFORESEEABLE EMERGENCY HARDSHIP WITHDRAWAL

This form is valid *only* when accompanied by a completed Statement of Need. Please refer to the guidelines accompanying this form to ensure accurate and complete information is provided. If your request is approved, the elections made on this form will apply to the distribution. Mail the completed application to Great West Retirement Services, Two Hannover Square, Suite 1640, Raleigh, NC 27601.

<b>1. Participant Name</b> (First) _____ (MI) _____ (Last) _____ (Jr./Sr.) _____			
<b>2. Address</b> (Street) _____		(City) _____ (State) _____ (Zip) _____	
<b>3. Social Security Number</b> _____		<b>4. Daytime Phone Number</b> _____	
<b>5. Amount Requested for Unforeseeable Emergency</b> (This may be different than the amount you receive based on the approval process.) \$ _____ Do you want to include an additional amount to pay the taxes indicated below? <input type="checkbox"/> Yes <input type="checkbox"/> No			
<b>6. Federal Income Tax Withholding</b> (Read the following statements carefully and make the appropriate selections.) Choose from the following: <input type="checkbox"/> I do <b>NOT</b> want federal income taxes withheld from the distribution. <input type="checkbox"/> I want federal income taxes withheld from the distribution. If you choose to have federal income taxes withheld from the distribution, you may choose one of the following options: <input type="checkbox"/> I would like the required 10 percent federal income tax withheld. <input type="checkbox"/> I would like to specify an amount (or percentage) to be withheld as indicated below in addition to the required 10 percent withholding. \$ _____ or % _____			
<b>7. State Income Tax Withholding</b> (Read the following statements carefully and make the appropriate selections.) Choose from the following: <input type="checkbox"/> I do <b>NOT</b> want state income taxes withheld from the distribution. <input type="checkbox"/> I want the required state income taxes withheld from the distribution. If you choose to have the required state income taxes withheld from the distribution, you may choose one of the following options: <input type="checkbox"/> I would like the required state income tax withheld. <input type="checkbox"/> I would like to specify an amount (or percentage) to be withheld as indicated below in addition to the required state income tax withholding. \$ _____ or % _____			
<b>8. Participant Acknowledgement</b> I acknowledge that I have received, read, understand and agree to all information in the Guidelines for Unforeseeable Emergency Hardship Withdrawal. I affirm that the information on this form and on the attached Statement of Need is true and correct. I understand that I am liable for any income tax and/or penalties assessed by the Internal Revenue Service and that if I elect not to have withholding apply, or if I do not have enough federal or state income tax withheld, I may be responsible for payment of estimated taxes and penalties under the estimated tax rules if my withholding and estimated tax payments are not sufficient. _____ Participant Signature <span style="float: right;">_____</span> <span style="float: right;">Date</span>			
<b>9. Authorized Plan Representative Certification</b> I certify this request complies with the applicable Plan provisions and federal law. I also certify that this participant has received any required notices. The amount shown here is approved for distribution to the participant: \$ _____ Amount for Distribution <span style="float: right;">_____</span> Authorized Plan Representative Signature <span style="float: right;">_____</span> <span style="float: right;">Date</span>			

For GWRS Use Only		
VRS Approval Date	Distribution Date	Amount \$





<b>Participant Name</b>	<b>Social Security Number</b>
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**ASSETS**

**Liquid Assets**

Savings:

Credit Union           \$ \_\_\_\_\_

Bank                       \$ \_\_\_\_\_

Checking                 \$ \_\_\_\_\_

Stocks/Bonds:           \$ \_\_\_\_\_

Mutual Funds            \$ \_\_\_\_\_

Cash Value of Life Ins. \$ \_\_\_\_\_

Cash on-hand            \$ \_\_\_\_\_

Other (explain below)   \$ \_\_\_\_\_

Other (explain below)   \$ \_\_\_\_\_

Other (explain below)   \$ \_\_\_\_\_

Other (explain below)   \$ \_\_\_\_\_

**Total Liquid Assets**    \$ \_\_\_\_\_

**Fixed Assets**

Market Value of Residence   \$ \_\_\_\_\_

Other Real Estate           \$ \_\_\_\_\_

Automobiles                \$ \_\_\_\_\_

Ownership interests in  
Small business               \$ \_\_\_\_\_

Personal Property           \$ \_\_\_\_\_

Other (explain below)       \$ \_\_\_\_\_

Other (explain below)       \$ \_\_\_\_\_

Other (explain below)       \$ \_\_\_\_\_

**Total Fixed Assets**        \$ \_\_\_\_\_

Explanation of Other listed above:

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**MONTHLY INCOME**

Your Salary                               \$ \_\_\_\_\_

Spouse Salary                              \$ \_\_\_\_\_

Other Income                               \$ \_\_\_\_\_ (Explain below)

Deferral Amount                            \$ \_\_\_\_\_ (Explain below)

**Total Gross Monthly Income**           \$ \_\_\_\_\_

**Minus Income Tax Withheld from Salary**   \$ \_\_\_\_\_

**Net Monthly Income**                       \$ \_\_\_\_\_

Explanations:



<b>Participant Name</b>	<b>Social Security Number</b>
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**MONTHLY EXPENSES (ATTACH ADDITIONAL SHEETS IF NECESSARY)**

<b>INSTALLMENT LOANS:</b>						
Creditor	Purpose	Date	Orig. Balance	Present Balance	Amount Past Due	Monthly Payment

<b>CHARGE CARDS AND ACCOUNTS:</b>				
Store or Bank	Credit Limit	Present Balance	Amount Past Due	Monthly Payment

<b>OTHER EXPENSES:</b>	
Mortgage/Rent	\$ _____
Food	\$ _____
Utilities and Telephone	\$ _____
Alimony/Child Support	\$ _____
Medical/Life Insurance	\$ _____
Vehicle (gas, maintenance, insurance)	\$ _____
Medical (doctor, hospital, drugs)	\$ _____
All Others (Please list)	
_____	\$ _____
_____	\$ _____
_____	\$ _____
<b>Total Monthly Expenses</b>	\$ _____
<b>Total Net Monthly Income</b>	\$ _____
<b>Minus Total Monthly Expenses</b>	\$ _____
<b>Total</b>	\$ _____

**11. Participant Certification**

I hereby certify, under penalty of perjury, that the information in this application is accurate and complete. It is furnished solely for confidential use in determining whether I am eligible for hardship withdrawal under the Deferred Compensation Plan. I understand that this information is provided in accordance with Internal Revenue Code Section 457 and applicable Treasury regulations.

\_\_\_\_\_  
Signature of Participant
\_\_\_\_\_  
Date