

## **457(b) Deferred Compensation Plan Administrative Policy Regarding Unforeseeable Emergency Withdrawals**

Proposed Treas. Reg. 1.457-6 provides definitive information about distributions from 457(b) plans due to unforeseeable emergencies. **It must be emphasized that the rules associated with unforeseeable emergency distributions from 457(b) plans are different from the rules associated with hardship distributions from 403(b) plans.**

### **Proposed Treas. Reg. 1.457-6(c)**

(c) Rules applicable to distributions for unforeseeable emergencies--(1) In general. An eligible plan may permit a distribution to a participant or beneficiary faced with an unforeseeable emergency. The distribution must satisfy the requirement of paragraph (c)(2) of this section.

(2) Requirements--(i) Unforeseeable emergency defined. An unforeseeable emergency must be defined in the plan as a severe financial hardship of the participant or beneficiary resulting from an illness or accident of the participant or beneficiary, the participant's or beneficiary's spouse or the participant's or beneficiary's dependent (as defined in section 152(a)); loss of the participant's or beneficiary's property due to casualty; or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the participant or the beneficiary. For example, the imminent foreclosure of or eviction from the participant's or beneficiary'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. Finally, the need to pay for the funeral expenses of a family member may also constitute an unforeseeable emergency. Except in extraordinary circumstances, the purchase of a home and the payment of college tuition are not unforeseeable emergencies under this paragraph (c)(2).

(ii) Unforeseeable emergency distribution standard. Whether a participant or beneficiary is faced with an unforeseeable emergency permitting a distribution under this paragraph (c) is to be determined based on the relevant facts and circumstances of each case, but, in any case, 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.

(iii) Distribution necessary to satisfy emergency need. Distributions because of an unforeseeable emergency must be limited to 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).

**The policy of this District** is to accept the *Employee's Certification* of the need for an unforeseeable emergency distribution. Hence, a plan participant must submit a signed certification to the District in accord with Treas. Reg. 1.457-6(c) before the district will authorize an unforeseeable emergency distribution. An online form is available on the CCC website for completion, printing, signing, and submitting to the Payroll Office. Your 457(b) vendor will require you to complete, sign, and submit its own in-house distribution request form, as well.