

FREQUENTLY ASKED QUESTIONS ABOUT HARDSHIP WITHDRAWALS FROM THE OAKLAND COUNTY DEFERRED COMPENSATION PLAN

1. *What is a deferred compensation plan? If I put money into a deferred compensation plan, why am I unable to take it out whenever I want?*

Deferred compensation plans are defined and controlled by federal statute, 26 USC §457. Because of the statute number, they are often called "457 plans." These plans take a portion of your pre-tax income and postpone the distribution of the money until you retire. This money is allowed to grow tax-free.

In exchange for these tax benefits, the federal government requires that the County may only pay out the deferred compensation money in the following circumstances:

- Retirement
- Death
- Termination
- Total Disability
- Hardship

If the County were to release funds for any other reason, the plan would no longer qualify for the federal tax benefits, and County employees would no longer benefit from this powerful retirement tool. The County is required to comply with all federal regulations and only release the funds in the above stated circumstances.

2. *What is a hardship, and do I qualify for a hardship withdrawal?*

Under Federal Law, the Oakland County Deferred Compensation Plan must follow guidelines established by the Internal Revenue Service. Under these guidelines, a hardship is defined as:

The result of a sudden or unexpected illness or accident of the participant or of a dependant of the participant, loss of the participant's property due to casualty or other similar extraordinary and unforeseeable circumstance arising as a result of events beyond the control of the participant.

Circumstances that qualify as a hardship will depend on the facts of each individual case.

Even if it is determined that you have a hardship under the guidelines, payment will not be made to the extent that this hardship is relieved by any of the following:

- *Reimbursement or compensation by insurance or otherwise,*
- *Liquidation of the participant's assets, to the extent that the liquidation of such assets would not itself cause severe financial hardship, or*
- *Cessation of deferrals under the plan.*

If the hardship withdrawal is granted, its amount will equal the amount reasonably needed to satisfy the hardship need *after* all other avenues of coverage have been pursued.

3. *What amount may I request for hardship from my deferred compensation plan?*

A hardship withdrawal is calculated at the amount reasonably needed to satisfy the hardship need. This amount is determined based on the circumstances surrounding the hardship, and varies with each applicant.

This information is provided for your convenience. It is not intended to be specific advice, nor is it an interpretation of federal tax law.

4. *Who may request a hardship withdrawal from a deferred compensation plan?*

Only the plan participant or the participant's guardian or conservator may request a hardship withdrawal. A spouse, child, or other person cannot request a hardship withdrawal, unless they are the legal guardian or conservator for the plan participant.

5. *How do I apply for a hardship withdrawal?*

To apply for a hardship withdrawal, you must first fill out the *Application And Affidavit For Hardship Withdrawal From The Oakland County Deferred Compensation Plan* form, which you can obtain by either visiting the Human Resources Department, Retirement Unit, or by calling (248) 858-2191.

Once you obtain the form, you must complete the form *in its entirety*. In addition to the demographic and tax information, you must supply a reasonably detailed explanation of the hardship. (Failure to do so may result in denial of the hardship request). You may also attach supporting documentation if you feel that it will assist the Deferred Compensation Board in assessing the hardship withdrawal request. Please note that this form must be notarized. A notary public is available at the Human Resources Department.

Submit the completed form and any supporting documentation to the Human Resources Department in person, via US Mail, or intercounty mail.

6. *What happens after I submit all of the documentation? How long does it take to find out whether my hardship withdrawal request was approved or denied?*

The Human Resources Department forwards completed form and supporting documentation to the Deferred Compensation Board's attorney, who then reviews the documentation, and makes a recommendation to the Board as to whether the request meets the legal requirements for a hardship withdrawal. Then, the attorney forwards the documentation, along with the recommendation to the Board for its final decision. The Board usually makes its decision within one to two weeks of receipt of all necessary documentation. The Board will notify you of the decision via telephone and/or mail.

7. *What happens if my hardship withdrawal request is approved?*

If the request is approved, the Board will notify the company that manages the County's deferred compensation plan, to release the funds. The Company will send a check directly to you. It usually takes approximately 7 to 10 days to get the check.

8. *If my request is approved, do I need to repay the plan for the funds?*

No. The monies paid for hardship withdrawal are paid out and taxed as if you had never deferred them for retirement in the first place. The monies then become part of your gross annual income, and need not be repaid.

9. *What happens if my hardship withdrawal request is denied?*

Your hardship withdrawal will not be approved if you do not meet the strict criteria set forth above in question 2. You may appeal the denial, by filling out a second *Application And Affidavit For Hardship Withdrawal From The Oakland County Deferred Compensation Plan* form, and complete the process described above.

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