

# Deferred Compensation Plan BOARD REPORT 11-72

Date: November 1, 2011  
To: Board of Deferred Compensation Administration  
From: Staff  
Subject: Hardship Withdrawal Guidelines

*Board of Deferred  
Compensation Administration  
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## Recommendation:

That the Board of Deferred Compensation Administration (a) delegate to staff the authority to approve hardship withdrawal requests for income loss of greater than one year so long as the circumstances of those requests comport with prior Board precedent, and refer to the full Board those cases which do not comport with prior Board precedent; and (b) review the appropriateness of this delegation of authority with the Board in approximately two years.

## Discussion:

At the August 16<sup>th</sup> Board meeting, the Board approved a partial hardship withdrawal in the amount of \$13,749 (net) in Case No. 11-01, and authorized staff to approve additional amounts of up to the applicant's documented income loss.

The applicant had appealed a decision by Great-West to deny the applicant's hardship request because the applicant's loss of income took place over a one year period preceding her application. Great-West has an internal policy that income loss occurring more than one year prior to an application is not a valid basis for withdrawal because it is assumed a participant would have sufficient time to make adjustments to his/her income and expenses to adapt to the reduced income.

However, when hardships were previously being processed by City staff and the Board, the Board frequently approved applications for income loss dating longer than one year. Internal Revenue Service regulations do not address this topic specifically. It should be noted that there are no other internal Great-West policies of this type concerning hardships.

Staff and Great-West discussed the possibility of Great-West changing its internal policy as it applies to the City by granting hardship withdrawals for income loss of greater than one year. However, staff's concern is that this may result in too broad of an application. Staff believes these situations should be considered on a case-by-case basis, and believes that the most balanced approach would involve three elements:

- (a) Require that Great-West refer these cases to staff as they arise;
- (b) Delegate to staff the authority to approve such cases so long as their circumstances are consistent with prior Board approval of similar cases; but

(c) Should the circumstances not be clearly in accordance with prior Board approvals, bring the case to the full Board.

Bringing to the Board *all* hardship applications involving income loss greater than one year could compromise one of the Board's objectives for delegating hardship approvals, namely expeditious processing of hardship requests. By contrast, delegating the decision-making authority to staff would ensure processing would continue to occur expeditiously. In addition, given that staff would essentially be applying a standard of the Board, not Great-West, staff is in a better position to apply the policy.

Further, ongoing economic and housing weakness suggests that the high volume of hardship requests, and increasing number of these types of cases specifically, will continue into the foreseeable future. Staff recommends that the Board revisit this delegation of authority in two years to evaluate its effectiveness and whether economic conditions and hardship activity continue to warrant its use.

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