

## HARDSHIP APPEAL WITHDRAWAL REQUEST

Case No. 12-01	
Current Bi-Weekly Deferral	\$0
Current Account Balance	\$67,418
Requested Withdrawal Amount	Partial/\$2,009
Financial Emergency/Unforeseen Event	Accident/Unreimbursed medical expenses

### Recommendation:

Staff recommends that the Board of Deferred Compensation Administration approve a partial hardship withdrawal in the amount of \$2,009 (net) in Case No. 12-01.

### Findings:

*The applicant has submitted five applications to Great-West for unreimbursed medical expenses. The applicant received \$5,405.46 (net) on September 15, 2010, \$4,179.88 (net) on November 1, 2010, \$874.51 (net) on February 23, 2011, \$555.78 (net) on July 7, 2011, and \$875.80 (net) on November 8, 2011. These approved amounts were the full amounts requested by the applicant, except for the September 15, 2010 application. The applicant is appealing because he wants an additional partial withdrawal in the amount of \$2,009 (net) to pay for unreimbursed medical expenses that were denied by Great-West for the September 15, 2010 hardship application.*

Participants may withdraw their deferred compensation funds if they suffer an unforeseeable emergency that causes extreme financial hardship. An unforeseeable emergency is a severe financial hardship of the participant resulting from an illness or accident, loss of the participant's property due to casualty or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the participant. Under Internal Revenue Service (IRS) guidelines, a hardship application must not exceed the amount reasonably necessary to satisfy the emergency need.

The applicant is applying to the Board for a larger hardship withdrawal amount than he was granted by Great-West because of the cumulative effects of his unexpected additional medical expenses for his dependent son, which has contributed to his high debt to income ratios. According to the applicant his financial emergency was caused by his son's accident, which required two shoulder surgeries. The applicant's son had his first shoulder surgery in November 2009 and the second in August 2010. The applicant provided his son with the necessary medical care that was needed in order for him to recover from his accident.

The applicant has applied for a hardship withdrawal on five occasions, all for unreimbursed medical expenses. Great-West approved and has already provided the applicant with five withdrawals that total \$11,891.43. However, Great-West did not approve the total amount requested by the applicant for the September 15, 2010 request. Great-West denied \$2,009 because that portion of the expenses began over one year prior to his application. Great-West has a general internal policy indicating that medical expenses beginning over one year prior to application is not a valid basis

for withdrawal because it is assumed that a participant would have sufficient time to pay for or adjust to the incurring of those expenses.

Hardship applicants must also demonstrate that they have exhausted all available alternatives. The applicant has depleted all of his savings. The applicant has already taken out two Deferred Compensation loans. The first loan was taken on August 1, 2008 in the amount of \$31,000 and the second loan was taken on December 15, 2009 in the amount of \$20,000. As a result, the applicant has already exhausted his loan opportunities. He has also canceled his new contributions to Deferred Compensation. The applicant has attempted to take out personal loans but has been denied based on his debt to income ratios. Staff has referred the applicant to his Employee Assistance Program provider to seek financial counseling. Based on this, staff finds that the applicant has exhausted all available alternatives.

Staff does not concur with Great-West's finding that the applicant's unreimbursed medical expenses is not a valid basis for hardship withdrawal because it began over one year prior to the hardship application. First, it should be noted that this finding is based on an internal Great-West policy and no Internal Revenue Service guidance prohibits approval for unreimbursed medical expenses which began earlier than one year. Second, when hardships were being processed by City staff and the Board, the Board routinely approved applications for unreimbursed medical expenses older than one year.

The Board had approved a partial hardship withdrawal in the amount of \$13,749 (net) at the August 16, 2011 Board meeting for a similar case that involved a participant's loss of income that took place over a year period her hardship application. As a result, staff is recommending approval of \$2,009 for the additional unreimbursed medical expenses that were submitted to Great-West on September 15, 2010.

The applicant's financial summary follows:

<u>Regular Monthly Expenses</u>	<u>Monthly</u>	<u>Annual</u>	<u>Balance</u>	<u>Verified</u>	<u>Past Due</u>
Mortgage-1st, 2nd, LOC	\$ 5,990	\$ 71,880	\$ 853,000	Y	N
Property Tax/Home Insurance/HOA	\$ 833	\$ 9,996	\$ -	Y	N
Federal/State Income Taxes	\$ 4,033	\$ 48,401	\$ -	N	N/A
Auto Registration	\$ 50	\$ 600	\$ -	N	N
Life/Disability Insurance	\$ 250	\$ 3,000	\$ -	Y	N/A
Medical/Dental Insurance	\$ 210	\$ 2,520	\$ -	Y	N/A
Retirement	\$ 1,974	\$ 23,688	\$ -	Y	N/A
Retiree Health	\$ 256	\$ 3,072			
Medicare	\$ 335	\$ 4,022			
Miscellaneous Payroll Deductions	\$ 422	\$ 5,064	\$ -	N	N/A
Food, Clothing, Household	\$ 2,450	\$ 29,400	\$ -	N/A	N/A
Utilities (Phone, Water, Gas, etc.)	\$ 1,000	\$ 12,000	\$ -	N/A	N/A
Auto (Gas, Maintenance, insurance etc.)	\$ 1,100	\$ 13,200	\$ -	N/A	N/A
School Tuition/Sports	\$ 1,550	\$ 18,600	N/A	N/A	N/A
<b>Total Regular Expenses</b>	<b>\$ 20,454</b>	<b>\$ 245,443</b>	<b>\$ 853,000</b>	<b>\$ -</b>	<b>\$ -</b>

<u>Debt/Loan Payments</u>	<u>Monthly</u>	<u>Annual</u>	<u>Balance</u>	<u>Verified</u>	<u>Past Due</u>
Auto Lease	\$ 350	\$ 4,200		Y	N
Car loan	\$ 450	\$ 5,400		Y	N
Wells Fargo Credit Card	\$ 875	\$ 10,500	\$ 31,000	Y	N
Bank of America Credit Card	\$ 150	\$ 1,800	\$ 9,100	Y	N
LAPFCU Credit Card	\$ 150	\$ 1,800	\$ 1,500	Y	N
Deferred Comp. Loans	\$ 875	\$ 10,500	\$ 21,702	Y	N
<b>Total Debt Payments</b>	<b>\$ 2,850</b>	<b>\$ 34,200</b>	<b>\$ 63,302</b>		<b>\$ -</b>
<b>Total Regular Expenses</b>	<b>\$ 23,304</b>	<b>\$ 279,643</b>	<b>\$ 916,302</b>		<b>\$ -</b>

<u>Current Income</u>		
Participant's Income	\$ 14,138	\$ 169,656
Spouse's Income	\$ 9,201	\$ 110,412
<b>Total Income ---&gt;</b>	<b>\$ 23,339</b>	<b>\$ 280,068</b>

**Difference \$ 35**

<u>Assets</u>	
Checking Account	\$ 4,000
Savings Account	\$ 2,500
Vehicle 1	\$ 18,000
Vehicle 2	\$ 29,000
Real Estate/Misc/Personal Property	\$ 975,000
<b>Total Assets ---&gt;</b>	<b>\$ 1,028,500</b>

Submitted by:

\_\_\_\_\_  
Natasha Gameroz

Approved by:

\_\_\_\_\_  
Steven Montagna