



UPDATE Employee Benefits and Compensation

NOVEMBER 2012

Retirement Plan Distribution Relief for Hurricane Sandy Victims

In response to the devastation caused by Hurricane Sandy, the Internal Revenue Service (IRS) has issued guidance providing individuals affected by the storm and its aftermath with more liberalized access to loans and hardship distributions from their retirement accounts. To be eligible for the special relief, participants (or their affected family members) must have a principal residence or work location in one of the counties or Tribal Nations in Connecticut, New Jersey, New York, and Rhode Island that have been identified as [covered disaster areas](#). This relief applies to certain employer-sponsored retirement plans, including 401(k), 403(b), and governmental 457(b) plans.

The IRS provides the broadest relief with regard to hardship distributions. Under the Notice, participants may obtain a hardship distribution for any type of financial hardship resulting from Hurricane Sandy, including costs associated with obtaining food and shelter, rather than the limited list of permissible hardships included in the regulations. A plan participant may also obtain a hardship distribution to meet the needs of family members, including parents, spouses, children, and dependents, affected by the storm even if the participant was not affected. The relief also permits plan sponsors to waive the normally mandatory six-month suspension period on employee contributions applicable to individuals receiving a hardship distribution.

This relief only applies to loans and hardship distributions made between October 26, 2012, and February 1, 2013, made on account of a hardship caused by Hurricane Sandy. The relief applies to all covered plans, including those that do not currently provide for loans and/or hardship distributions. A plan that does not currently allow loans or hardship distributions, but wishes to provide such options under this relief, must be amended no later than the end of the first plan year beginning after December 31, 2012. Distributions and loans may be allowed before a plan is formally amended to provide this option.

Plan sponsors are also permitted to relax documentation and other requirements for loans and distributions made during this period, provided they make a good faith effort to initially meet the requirements and undertake reasonable efforts to fully meet the requirements as soon as it is administratively practicable.

Employers looking for a way to assist employees who face financial hardship following the storm may wish to consider offering loans and hardship distributions under these liberalized requirements. Robinson & Cole's [Employee Benefits and Compensation Practice Group](#) is available to assist clients in understanding the new relief requirements. If you have questions, please contact any of the following attorneys:

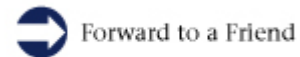
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