

**SPRINKLER INDUSTRY SUPPLEMENTAL PENSION FUND
QUESTIONS AND ANSWERS ABOUT
CASUALTY LOSSES AND HARDSHIP DISTRIBUTIONS
NOVEMBER 2012**

As you may know, the Sprinkler Industry Supplemental Pension Fund (“SIS Pension Fund”) provides for Hardship Distributions to Participants with an immediate and heavy financial need that cannot be met through other sources. Among the categories of deemed immediate and heavy financial need are expenses for the repair of damage to the principal residence of a Participant that would qualify for a casualty deduction under §165 of the Internal Revenue Code (Code).

The following is an explanation of the Hardship Distribution benefit that may be available to you to repair your home in the wake of Superstorm Sandy.

1. What is a Hardship Distribution?

A Hardship Distribution is a special category of distributions that will permit you to withdraw up to the amount of Employer contributions (including earnings on those contributions) for hours worked on or after January 1, 1999 from your Individual Account to meet an immediate and heavy financial need for which you lack other available resources.

2. What is an “immediate and heavy financial need”?

An “immediate and heavy financial need” depends on the individual facts and circumstances. The SIS Pension Plan provides that a distribution will be deemed to be on account of an immediate and heavy financial need if the distribution is for

- expenses for the repair of damage to your principal residence that would qualify for the casualty deduction under Code §165¹; or
- payments necessary to prevent your eviction from your principal residence or foreclosure on the mortgage of your principal residence.

3. What kind of expenses for repairs to my principal residence qualify for a hardship distribution?

Expenses to repair damage to your principal residence as the result of a “casualty” may qualify you for a Hardship Distribution from the Plan if the expense would satisfy the requirement for a casualty deduction under section 165 of the Internal Revenue Code (Code). The IRS describes a “casualty” as the damage, destruction or loss of property resulting from an identifiable event that is sudden, unexpected or unusual. The IRS notes that deductible casualty losses can result from a number of different causes, including such events as earthquakes, fires, floods, storms (*including hurricanes and tornadoes*), and terrorist attacks. For more detailed information on the Internal Revenue Code section 165 deduction itself, see <http://www.irs.gov/pub/irs-pdf/p547.pdf>.

¹ Determined without regard to whether the loss exceeds 10% of adjusted gross income.

4. *How do I show that I am experiencing a hardship requiring a Hardship Distribution to repair my principal residence?*

Under the SIS Pension Plan, you will need to complete an application in which you certify that you have an immediate and heavy financial need that cannot be relieved from other sources such as:

- Through reimbursement or compensation by insurance;
- By liquidation of your other assets or those of your spouse and minor children;
- By other distributions from this or any other qualified plan maintained by your Employer²; or
- By borrowing on reasonable commercial terms in an amount necessary to satisfy your need.

In some cases, you may be asked to produce evidence such as an insurance report or claim or other documents to substantiate your claim for a Hardship Distribution.

5. *How much of my Individual Account can I withdraw for a Hardship Distribution?*

Under the SIS Pension Plan, you may withdraw the lesser of –

- the amount required to meet the Hardship (including any amounts necessary to pay federal, state or local income taxes or penalties reasonably anticipated to result from the distribution); or
- the Employer contributions to your Individual Account (including earnings on those contributions) for hours worked on or after January 1, 1999.

6. *Will I be taxed on the amount of my Hardship Distribution?*

Yes. The amount of your Hardship Distribution is taxed as regular income and must be included in your annual tax return. If you are under age 59½, you are also liable for a 10% early withdrawal tax penalty on the amount of your Hardship Withdrawal.

7. *Where do I get an application?*

Applications are available from the SIS Pension Fund Office. You may call the Fund Office at (301) 577-1700 or Toll Free (800) 638-2603 or email us at mail@nasifund.org.

You may also print the application from the link on the Fund Office website: http://www.nasifund.org/PDFs/SIS_Pension_Fund/SIS_HardshipApp.pdf

² If you are eligible for a separation or retirement distribution from the SIS Pension Plan, you must take that distribution before you may take a Hardship Distribution.