

457 Deferred Compensation Plan





Today's Discussion



Deferred Compensation

- ❖ Sources of retirement income
- ❖ SCERS vs. DC
- ❖ How does DC work?
- ❖ Why enroll?
- ❖ How much can I contribute?
- ❖ Investment options
- ❖ How do I enroll?



Today's Discussion

**Deferred
Compensation**

- ❖ **Rollovers**
- ❖ **Purchasable Service Credit**
- ❖ **Limited Catch-Up**
- ❖ **What If I Need Money Early?**
- ❖ **Payout Options**
- ❖ **Tax Issues**



Sources of Retirement Income

- ❖ SCERS (Pension)
- ❖ Social Security
- ❖ 457(b)/401(a) Deferred Comp. Plan
- ❖ Other
 - ❖ Savings
 - ❖ Retirement Health Savings Plan (RHSP)
 - ❖ Liquidate assets (home, collectibles, etc.)



SCERS vs. Deferred Comp.

- ❖ SCERS is a condition of employment where your benefit is a result of your length of service, age at retirement, and average final salary.
- ❖ 457(b) Plan is a completely voluntary plan where employees can have a portion of their pay set aside pre-tax to be used to supplement their SCERS benefit in retirement.
- ❖ 401(a) Plan is a County Match Plan for Rep Units 20, 21, 32, 33, 50 and Elected Officials.



How Does 457(b) DC Work?

- ❖ You may enroll at anytime while you are a permanent County employee.
- ❖ Contributions to the plan are pre-tax and taxes are deferred until you begin payout in retirement.
- ❖ Distributions are taxable as normal income in the year taken (no penalties or age requirements in the 457 Plan).

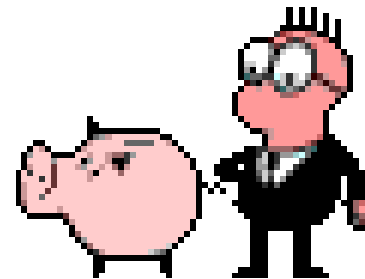
Why Enroll?

- ❖ To enhance your chances of having enough savings to reach your goals of . . .
 - ❖ Reducing current taxes.
 - ❖ Saving for retirement.
 - ❖ Retiring early.
 - ❖ Retiring comfortably.
 - ❖ Just plain 'retiring'.



How Much Can I Contribute?

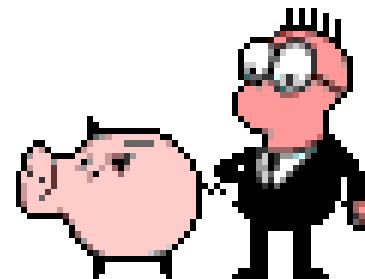
- ❖ In 2011 \$16,500
- ❖ In 2012 \$16,500 plus adjustment for inflation



*You may increase or decrease the amount you defer at any time.

But I'm over 50!

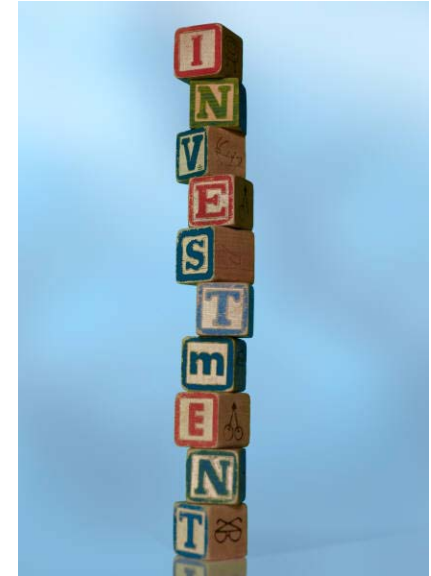
- ❖ In 2011 \$22,000
- ❖ In 2012 \$22,000 plus adjustments for inflation



*You may increase or decrease the amount you defer at any time.

What Investment Options Are Available?

- ❖ Fidelity Investments:
 - ❖ Money Market Fund
 - ❖ Bond Mutual Fund
 - ❖ Stock Mutual Fund
 - ❖ Lifestyle Freedom Fund
- ❖ BrokerageLink:
 - ❖ Broad access to individual stocks, bonds, etc...
- ❖ Personal Advisory Service at the Workplace (PASw)



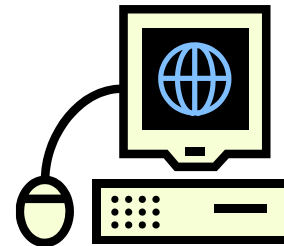
How Do I Enroll?

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❖ Contact Fidelity Investments:

❖ (800) 343-0860

❖ <http://plan.fidelity.com/saccounty>





Can I Transfer/Rollover Money From Another Eligible Plan?

- ❖ Yes, active participants may transfer balances from another “eligible retirement plan” into the County 457 Plan.
 - ❖ Rollover IRA
 - ❖ 403(b)
 - ❖ 401(k)
 - ❖ 457(b)
 - ❖ 401(a)



Purchasable Service Credit

- ❖ Can use 457 DC balances to purchase service credit prior to separation from service
 - ❖ Not just SCERS
 - ❖ Contact the retirement plan to request calculation
 - ❖ Bring calculation to DC office
 - ❖ Submit request before separation from service



Limited Catch-Up

- ❖ Can make-up for missed contributions
- ❖ Can go back as far as 1979
- ❖ Must request research at DC office
- ❖ Consider at least 3 years before retirement
- ❖ Can defer taxes on last check!



More Catch-Up

- ❖ Up to \$33,000 in 2011
- ❖ Runs for 3 consecutive calendar years
- ❖ A one-time election
- ❖ Spread evenly over the year = \$1,270/PP
- ❖ Must enroll in time for at least one catch-up contribution to occur before last check



Even More Catch-Up

- ❖ You must be within 3 years of being eligible to retire
 - ❖ For miscellaneous; typically age 47 with 7 years of service
 - ❖ For safety; typically 17 years of service regardless of age



What if I Need Money Early?

❖ Loan Program

- ❖ General Loan – use for any reason and repaid within 5 years.
- ❖ Residential Loan – use for the purchase of your primary residence only and repaid within 15 years.
- ❖ May borrow between \$1,000 and \$50,000, up to 50% of your Fidelity account balance.
- ❖ Repay with interest through ACH in equal monthly installments.



What if I Need Money Early?

- ❖ Deferred Comp. is very non-liquid while you are still an active employee.
- ❖ There are only three ways to qualify for distribution.
 - ❖ Separation from service for any reason.
 - ❖ De minimus distribution.
 - ❖ Balance under \$5,000
 - ❖ Haven't contributed for over 2 calendar years
 - ❖ Hardship Withdrawal.



Payout Options

- ❖ Upon termination/retirement - basic options (no penalties or age requirements in the 457 Plan)
 - ❖ Leave your money in the Plan
 - ❖ Lump-sum of entire balance
 - ❖ Partial lump sum followed by periodic distributions
 - ❖ Periodic distributions
 - ❖ Roll out to a 401k, 403b, 457b, IRA (all or part)



Payment Flexibility

- ❖ Can change distribution amount every month
- ❖ Can start and stop at will
- ❖ Can specify a particular fund from which to make distributions
- ❖ Must satisfy Required Minimum Distribution (RMD) rules



Beneficiaries

- ❖ Surviving spouse
 - ❖ Same options as participants
- ❖ Non-spouse beneficiaries
 - ❖ Can elect to pay out over own life; must decide no later than December of the year after death
 - ❖ If no election made, must pay out entire balance by December of the fourth year after death
 - ❖ Transfer into an Inherited IRA



Tax Issues

- ❖ Distributions are taxable as normal income in the year received
 - ❖ You will receive a 1099R each January
 - ❖ Already subjected to FICA taxes
 - ❖ See your tax advisor to see if distributions will affect the taxability of your Social Security payments



Changes/Request

- ❖ Fidelity is now your one contact for most DC transactions including:
 - ❖ Changing contribution amount
 - ❖ Changing beneficiary (online)
 - ❖ Exchanging balances between funds
 - ❖ Rolling in from another plan
 - ❖ Setting up a distribution (after separation)
 - ❖ Changing your name/address (after separation)
 - ❖ Rolling out to another plan (after separation)



Changes/Request cont.

- ❖ The County DC office is still your contact for:
 - ❖ Hardship withdrawal
 - ❖ For general questions contact your service team
 - ❖ Contributions from your last pay check
 - ❖ For Limited Catch-up enrollment



Not Changing

- ❖ While you are still an active employee
 - ❖ Address changes update automatically through payroll
 - ❖ Name changes update automatically through payroll



401(a) Plan

- Eligible Employees – Unrepresented Management (32, 50), Attorneys (20, 21,33) and Elected Officials.
- County match 1% of gross pay if contributing 1% of gross pay into the 457 Plan.
- Employee is responsible to keep the 457 contributions at 1% or more of gross pay.
- 401(a) County match will stop for the year if 457 contributions go below 1% of gross pay
- Enrollment is automatic if eligible and contributing at least 1% of gross pay in the 457 Plan.



More - 401(a) Match Plan

- No voluntary contributions allowed.
- Investment options are the same as the 457(b)
- You must elect investment options or default into Freedom Funds
- You must complete a 401(a) Beneficiary Form (online)
- No rollover in, Loans or Hardship Withdrawals
- 10% Penalty if distribution is before age 59 1/2.



Finally

- ❖ One-on-one consultations with a Fidelity Representative are available.
- ❖ Look for information on a new option called Portfolio Advisory Service at the Workplace (PASw).

<http://plan.fidelity.com/saccounty>

How to Contact Us

- ❖ County Administration Center

700 H Street, Room 4650

Sacramento, CA 95814

(916) 874-2020

PSDBenefits@saccounty.net



- ❖ http://insidehra.saccounty.net/ebo_website/deferred_comp.htm



Thank you!

Remember!

Anytime is a good time to begin saving for retirement with the County of Sacramento 457 Deferred Compensation Plan.