

## **ALAMEDA COUNTY 457(b) DEFERRED COMPENSATION PLAN**

### **INSTRUCTIONS/PROCEDURES FOR DISTRIBUTION OF FUNDS** In Accordance with the Plan Document and Applicable Legal Requirements

The IRS intended for the 457(b) Deferred Compensation Plan to be a means of saving money for retirement years. This Plan is not intended to be a short-term “savings account” for a participant’s ongoing expenses. Therefore, distribution of funds from the Plan can be made only upon separation from service or an in-service emergency withdrawal.

Participants in the Deferred Compensation Plan who separate from County service are requested to submit a Distribution Election form. Forms are available from the Treasurer’s Office and also can be printed from the Treasurer’s Office web site, Deferred Compensation Forms page.

Upon receipt of the form, the Treasurer’s Office will confirm the participant’s separation date, and process the form. A participant’s first systematic payment, partial single sum payout, or partial direct rollover amounts can be distributed immediately. Lump sum payouts, total direct rollovers, or annuities will be distributed after the participant has received their final paycheck and after their final deferral is received by Prudential. Systematic payments are mailed on or soon after the 15<sup>th</sup> of each month.

#### **Deferral of Payout**

The participant may elect to immediately begin distribution of the funds, or defer the commencement of payments to a later date, but not later than the year in which the participant attains the age of 70-1/2 (see note below).

NOTE: The IRS Code allows participants who have separated from County service to delay taking distribution of funds until the year in which the participant attains the age of 70-1/2. However, a participant may delay the first payment to not later than April 1<sup>st</sup> of the year following the attainment of age 70-1/2. The first payment made on April 1<sup>st</sup> of the following year would be in the amount the participant would have received in the previous year if payments had begun at the time the participant became age 70-1/2.

Example: If a participant became age 70-1/2 in July 2011, he would normally be required to begin receiving payments in July (or by the end of) 2011. However, if he decides to delay receiving the first payment, it could be delayed up to April 1, 2012. For example, assuming the participant chose to take annual payments of \$5,000, he would receive his first \$5,000 payment on April 1, 2012, plus his regular \$5,000 payment in July 2012 (thus, two payments in one year). The first \$5,000 payment is the amount he would have received in 2011, the year in which he became age 70-1/2.

If a participant wishes to defer his benefit commencement date, he would check, “Defer receipt of benefits until a later date” on the Distribution Election form.

If the participant defers the benefit commencement date, the participant will later need to complete another Distribution Election form to request his specific type of payment method no later than 30 days prior to his desired commencement date. The Treasurer's Office/Prudential needs time for paperwork processing and payment scheduling. It is ultimately the participant's responsibility to inform the Treasurer's Office/Prudential of their chosen method of payment well *before* the desired benefit commencement date.

### **Distribution Methods Available**

1. Total Single Sum Payout for Balances of Less than \$5,000. A participant with a balance of \$5,000 or less is not eligible for installment distributions, and therefore must elect an immediate lump sum payout of the account balance.  
(Back-up withholding of 20% Federal and 3% State taxes is required.)
2. Total Single Sum Payout for Balances of More than \$5,000. Distribution of the entire account balance. (Back-up withholding of 20% Federal and 3% State taxes is required.)
3. Partial Single Sum. A participant may take a partial single sum immediately, leaving the remaining balance of the account to be withdrawn at a later date. Distribution of the balance or additional partial single sum distributions can be requested at any time.  
(Back-up withholding of 20% Federal and 3% State taxes is required.)
4. Systematic Withdrawals. *A separate Request for Systematic Disbursement form must be completed instead of a Distribution Election form.* Systematic withdrawals (installment payments) may be issued monthly, quarterly, semi-annually or annually. Payments are withdrawn directly from the participant's account(s). Distributions are detailed on the participant's quarterly statements. Payments are issued on or shortly after the 15<sup>th</sup> of the month. (The remaining balance will continue to earn interest, if invested in the Stable Value Fund. If a participant is invested in the variable options, the account will perform according to the underlying investments.)

#### Systematic Withdrawal Options:

Method A – Participant indicates a specific dollar amount to be distributed until the account is exhausted.

Method B – Participant indicates the number of payments (60, 120, 180, etc.) they wish (but not to last longer than the participant's life expectancy, or the joint life expectancy of the participant and his/her designated beneficiary).

5. Total Direct Rollover or Partial Direct Rollover. Rollovers to a traditional IRA or a Roth IRA. Provide the name of the institution, address, and account number. Rollovers may also be made to another 457(b) plan (plan-to-plan transfer) or other qualified plan (401k, etc.).  
(See rollover information on next page)

6. **Annuity.** A commercially available annuity contract can be purchased through Prudential. An annuity provides a further range of payment options: Immediate Life Annuity, Immediate Life Annuity-Certain, Immediate Annuity-Certain, Immediate Joint and Survivor-Life Annuity Certain, and Immediate Joint and Survivor-Life Annuity. Annuity income illustrations are available upon request from Prudential to assist participants.

**Rollovers from 457(b) Plan to Other Plans.** After separation from service, participants may choose to roll over 457(b) plan funds into other types of plans, such as a traditional IRA, Roth IRA, 401(k), 401(a) and 403(b). *Please use caution if requesting a rollover!* This option may not be wise for some participants. Note: most of these plans incur a 10% early withdrawal penalty, if a participant takes a distribution before age 59-1/2. Also, the receiving financial institution may charge the participant commissions, loads, or management fees, and may have restrictions on fund changes. The 457(b) Plan has no “early withdrawal” penalties. The primary reason a participant of any age might consider a rollover is if they had interest in buying specific stocks or bonds, rather than the funds available through the County’s 457(b) Plan. Both IRA funds and 457(b) Plan funds are protected equally under trust agreements.

**Distribution Dates.** Systematic withdrawals are effective the 15<sup>th</sup> of each month, and a distribution is released from Prudential one to three business days after the 15<sup>th</sup>. Total Single Sum payouts are effective on the day Prudential receives an approved Distribution Election form from the Treasurer’s Office. The check is usually released 24 to 48 hours after the effective date.

**Roth 457(b) After-Tax Distributions.** Distribution methods available to before-tax 457(b) contributions also apply to Roth after-tax contributions. After-tax Roth money you withdraw will be income tax free only (1) if the distribution is made after a five-taxable-year period of participation and (2) you are age 59-1/2, disabled, or deceased at the time of withdrawal. (Earnings will be taxed on non-qualified Roth distributions that do not meet the criteria above).

**Rollovers from Roth 457(b) to Other Plans.** Unlike before-tax 457(b) rollovers, a distribution from a designated Roth 457(b) account consists of both pre-tax money (earnings on the Roth contributions) and basis (Roth contributions), and must be rolled over into a designated Roth account in another plan through a direct rollover. If the distribution is made directly to you and then rolled over within 60 days, the basis portion cannot be rolled over to another designated Roth account, but can be rolled over into a Roth IRA.

If only a portion of the distribution is rolled over, the rolled over portion is treated as consisting first of the amount of the distribution that is includable in gross income. Alternatively, you may roll over the taxable portion of the distribution to a 401(a) or 403(b) plan’s designated Roth account within 60 days of receipt. However, your period of participation under the distributing plan is not carried over to the recipient plan for purposes of measuring the five-taxable-year period under the recipient plan.

## **Income Tax Information**

- Distributions Are Considered Taxable Income. Distributions received from the Plan are considered taxable income in the year received. Income taxes are due and withheld by Prudential from each distribution (excluding a Roth IRA). A 1099-R form will be issued for income tax reporting purposes for the year a payment is distributed.
- Mandatory Income Tax Withholding. If systematic payments are anticipated to last for less than 10 years, each distribution is subject to a mandatory 20% Federal tax withholding. If the payments are anticipated to last for 10 years or more, a participant may choose a tax withholding, for example, Single-1 or Married-3. For Total Single Sum payouts, the back-up withholding of 20% Federal and 3% State taxes is required by the Plan.
- Income Averaging and Quarterly Estimated Tax. 457(b) Plan distributions are not eligible for five-year or ten-year income averaging. Since income tax withholdings must be taken from each distribution, 457(b) payments cannot be included in quarterly tax filings.
- Income Tax Withholding Forms. Participants must provide income tax election information on the Distribution Election or Request for Systematic Disbursement form. Participants may revise their elections, in writing, at any time.

**Required Minimum Distribution (RMD)**. Participants age 70-1/2 and older must take at least an annual minimum distribution, according to IRS rules. Participants turning age 70 will receive a notice and RMD form from Prudential. Contact Prudential for specific information.

**Direct Deposits**. Direct deposit of distributions by electronic funds transfer (EFT) to a participant's bank, savings and loan, or credit union is available. A participant must submit a Request for Direct Deposit form, which is available from the Treasurer's Office, or can be printed from the Deferred Compensation web site. The initial payment (a regular paper check) will be mailed directly to the financial institution; all subsequent payments will be electronically transferred to the specified account.

**Return to County Employment**. A participant who separated from County service and deferred receipt of Deferred Compensation Plan funds, but who later returns to active County service, may re-start deferrals into his existing account. After verifying reinstatement, the Treasurer's Office will notify Prudential, and any Distribution form that may have been previously submitted will be voided. (This does not apply to Retired Annuitants – they cannot further contribute to the Plan, because they are no longer regular employees.)

The IRS and the Plan do not allow separation from County service for the sole purpose of receiving Deferred Compensation funds. The determination of whether a separation/reinstatement is for the sole purpose of receiving Deferred Compensation funds will be made by the Treasurer's Office, in its discretion as Plan Administrator, based on all facts and circumstances.

**Changes of Name/Address/Beneficiary.** After separation from County service, it remains the responsibility of the participant to continue to notify the Treasurer's Office and/or Prudential of any changes of name, address or beneficiary, so our records can be kept current. (A participant will not receive statements and other information mailed to them if their address is not current.) Change of status forms can be obtained from the Treasurer's Office, or can be printed from the Deferred Compensation web site.

**Investment Transfers.** Separated participants may continue to direct transfers of funds between investments within the Plan. Participants may call Prudential's Telephone Exchange Line at 1-800-333-3829, or request exchanges through Prudential's Internet site at [www.prudential.com/online/retirement](http://www.prudential.com/online/retirement) (participants need a PIN number).

### **CHANGES TO ORIGINAL PAYOUT ELECTIONS ARE ALLOWED**

EGTRRA legislation, effective January 2002, allows for greater flexibility with regard to distribution elections. (Prior regulations considered original distribution elections as "irrevocable".) Participants may elect to revise their original distribution amount, discontinue their systematic distributions and restart them later, or take an immediate partial lump sum, deferring the remaining balance for distribution at a later time.

Required Minimum Distributions (RMD) rules still apply for those participants age 70-1/2 or older.

## **INFORMATION SOURCES:**

**Prudential Retirement Services, Inc.** General information, payment estimates, installment payment illustrations, and annuity income illustrations are available upon request from Prudential Retirement Services in Scranton, Pennsylvania. Call Customer Service at 1-800-833-5761.

**Wells Fargo Advisors.** Financial counseling and retirement planning services are available to our participants, free of charge, by a licensed representative of Wells Fargo Securities, located in Oakland. Call Mark Tomei at (510) 452-8078. Toll-free number, 1-800-450-8841, ext. 178.

Mark Tomei of Wells Fargo Advisors and Gene Hilliard of Emerge Financial Group are available for financial counseling, free of charge, in the Treasurer's Office and other county sites, *by appointment only*. To set up an appointment, please call Mr. Tomei's assistant at (510) 452-8063, or toll-free at 1-800-450-8841, ext.163. View their meeting schedules on the Deferred Compensation web site under Information.

**Capitol Life Fixed Annuity Fund.** This fund is no longer offered. Participants still invested in this Fund, now administered by Met Life Investors, should complete a Met Life Distribution Request form. (The fund was formerly administered by Security First Group and The Holden Group in Los Angeles.) Submit the form to the Treasurer's Office for a signature. Information and annuity income illustrations are available from Met Life Investors, by calling Customer Service at 1-800-283-4536.

### **Alameda County Treasurer's Office**

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Interoffice Mail: QIC 20114

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### **Print Forms and View Information on the Deferred Compensation Web site:**

[www.acgov.org](http://www.acgov.org) > Quick Links > Departments > Treasurer-Tax Collector > Deferred Compensation Forms.

This document was written by the Treasurer's Office in accordance with the applicable IRS Code section(s) and the County's Plan Document, under the direction and review of the Plan's third party administrator, Prudential Retirement Services, Inc.