PROGRAM FAQ

City of Seattle Voluntary Deferred Compensation Plan

Frequently Asked Questions

The City of Seattle Voluntary Deferred Compensation Plan is a governmental 457(b) plan available to all City of Seattle employees, regardless of benefit eligibility status. This plan can help you supplement your retirement income.

CONTRIBUTIONS

What are my contribution options?
The Plan offers two types of contribution options:

- Pre-tax contribution
- After-tax Roth contribution option, which allows you to pay taxes on the portion of your salary that goes into the Plan

You are not limited to one contribution type. If you wish, you can defer both pre-tax and after-tax contributions

How much can I contribute to the 457(b) Plan?
If you enroll, the minimum amount you can contribute is $10 per paycheck. The 2020 annual maximum is $19,500 regardless of contribution type.

Is there a way to contribute more?
There are two ways to contribute more if you meet the following eligibility criteria:

1. **Age 50 Catch-Up**
   If you are 50 years of age or older by the end of the current calendar year, you are automatically eligible for Age 50 Catch-Up. This allows you to defer an additional $6,500, raising your annual maximum to $26,000 in 2020. You can update your deferrals to incorporate the Age 50 Catch-Up online.
2. **Last Three Years Special Catch-Up**
   For up to three consecutive calendar years prior to your elected Normal Retirement age where you would receive an unreduced pension benefit, you can make up to twice the annual deferral limit based on the total of your underutilized deferrals from prior years, which is $39,000 in 2020. Questions regarding Last Three Years Special Catch-Up should be sent to DeferredCompQuestions@seattle.gov.

Can I change or stop my 457(b) deferrals?
You may change or stop your deferrals to the Plan at any time. Please keep in mind that changes typically take two to three pay periods to take effect.

Can I transfer my balance from another plan into this one?
Yes, you may roll over other eligible retirement plans into the Plan. Money that has been rolled into the Plan is always available to you while you work for the City. Reach out to Nationwide or an Education Consultant to discuss whether your outside retirement accounts are eligible for consolidation.

WITHDRAWALS

How can I withdraw my money while I'm still actively employed?
In-service withdrawals are permitted under the following circumstances:

- A loan (additional information below)
- A distribution from funds you rolled into the Plan from another retirement account
- An unforeseeable emergency withdrawal, if certain conditions are met
- The purchase of missing service credits in your pension plan — generally SCERS or DRS
- If your account balance is less than $5,000 (not including any rollover contributions) and you've made no contributions for two years, you may take a once-per-lifetime distribution
- Attainment of age 59½
- A distribution for the qualified birth or adoption of a child
- A distribution for a qualified disaster (up to $100,000 per participant, per disaster)

What options do I have once I separate from service or retire from the City?
You have flexibility when withdrawing your money once you are no longer employed by the City. You may:

- Leave the assets in the Plan until you must take required minimum distributions at age 72
- Take a partial lump-sum payment
- Set up recurring payments
- Transfer your balance to another eligible retirement plan or IRA
- A combination of the above

Can I take a loan from my account?
Yes, loans are permitted for active employees (only one at a time). The minimum loan amount is $1,000, and the maximum amount will generally be the lesser of the following: (1) 50% of your vested Plan account balance or (2) $50,000 reduced by the highest outstanding aggregate loan balance during the 12-month period ending on the date of the loan. This amount may be affected if you have a self-directed brokerage account. Loans are subject to an interest rate (prime + 1% for the life of the loan), which is repaid to your account. Loan payments are made by after-tax payroll deduction, but you can continue making payments on your own if you leave the City. Please contact Nationwide at 1-855-550-1757 with any loan questions or to submit loan payments after you separate from service.

INVESTMENTS

What are my investment options?
You have a wide range of investment options that are designed to help meet your retirement planning needs. Three levels of assistance are available to help you:

1. Help me do it — Asset allocation funds (aka target date funds) invest in the fund which is closest to the year in which you turn 65.[1] This is a low-cost diversified investment strategy that automatically becomes more conservative as you get older. If you do not designate investment elections upon receipt of contributions, the contributions will automatically be invested into an appropriate target date fund.

2. I'll do it myself — You have full control over your investments and select the funds that are best suited for you from a wide range of investments and asset classes. If you prefer additional options, you can also invest through a self-directed brokerage account (SDBA) with Charles Schwab. This feature allows you the freedom to select and manage your portfolio from a much larger variety of mutual fund choices.

3. Do it for me — Nationwide ProAccount® is a fee-based managed account service that helps take the guesswork out of investing.[2] With professional management from Wilshire Associates, your investments are selected for you based on your age and risk tolerance; they're then monitored and adjusted over time.

FEES

What are the fees for participating in the plan?
The Plan charges an annual asset fee of 0.12%. This is charged against all plan assets under management on a monthly-basis and is used to cover the Plan's administrative costs. Your quarterly statement will indicate this fee. In addition, any revenue-sharing paid to the Plan on your behalf is credited back to your account. Revenue-sharing is money paid by a fund company to help offset plan expenses.

The following fees are applicable to individuals that elect these services:

- Loan application fee: $25
- Annual loan maintenance fee: $50
- Loan refinance fee: $50
- Wire transfer fee: $25
- Self-directed brokerage account: $50 initial fee and transaction fees/commissions
- Managed account services program fees

EDUCATION

Representatives are available via telephone at 1-855-550-1757, Monday through Friday, 5 a.m. to 8 p.m. and Saturday, 6 a.m. to 3 p.m. Nationwide provides the City of Seattle with two on-site Education Consultants for group meetings, one-on-one consulting and general help with the Plan. They are in Suite 1635 of the Seattle Municipal Tower and can be reached by phone at 206-447-1924. You can schedule an appointment at CityofSeattleDeferredComp.com.

This document was created to help educate participants about the City of Seattle Voluntary Deferred Compensation Plan and is intended only to provide a general summary of the Plan and its features. In the event there are any inconsistencies between this guide and the Plan Document, the Plan Document will govern.

Contact your Voluntary Deferred Compensation Education Consultant by calling **206-447-1924** or set up a personal meeting at **CityofSeattleDeferredComp.com.**

[1] Target maturity funds are designed to provide diversification and asset allocation across several types of investments and asset classes, primarily by investing in underlying funds. Therefore, in addition to the expenses of the target maturity funds, an investor is indirectly paying a proportionate share of the applicable fees and expenses of the underlying funds. Target maturity funds are designed for people who plan to withdrawal funds during or near a specific year. These funds use a strategy that reallocates equity exposure to a higher percentage of fixed investments over time. As a result, the funds become more conservative as they approach retirement. It's important to remember that no strategy can assure a profit or prevent a loss in a declining market. A target date fund's principal value is not guaranteed at any time, including the target date designated in the fund's name.

[2] Investment advice for Nationwide ProAccount is provided to plan participants by Nationwide Investment Advisors LLC ("NIA"), an SEC-registered investment adviser. NIA has retained Wilshire Associates Incorporated ("Wilshire") as the Independent Financial Expert for Nationwide ProAccount to make the investment decisions for the program. Wilshire is not an affiliate of Nationwide of Nationwide Investment Advisors LLC (NIA).

Investing involves risk, including possible loss of principal. Qualified retirement plans, deferred compensation plans and individual retirement accounts are all different, including fees and when you can access funds. Assets withdrawn from your account(s) may be subject to surrender charges, other fees and/or a 10% excise tax if withdrawn before age 59½.

Information provided by Nationwide education consultants is for educational purposes only and not intended as investment advice. The education consultants are Registered Representatives of Nationwide Investment Services Corporation, member FINRA, Columbus, Ohio.

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