




Nationwide®

Plan highlights

*City of Seattle Voluntary Deferred
Compensation Plan and Trust*



A man and a woman are hiking through a lush forest. The woman, on the left, is wearing a plaid shirt, a tan vest, and grey pants, and is holding a wooden stick. The man, on the right, is wearing a blue t-shirt, a grey jacket, and khaki pants. They are both smiling and looking towards the camera. The background is filled with green ferns and trees.

The City of Seattle Voluntary Deferred Compensation Plan is available to employees and officers of the City. It provides one of the best ways to **save money** for your retirement years and one of the few methods available today to **reduce income taxes** while you are working.

Under the terms of the Plan, you are allowed to contribute through convenient payroll deductions. You decide the dollar amount and the contribution is then invested in the investment options you choose from among those offered.



CONTRIBUTION RULES

- » You may elect a flat dollar amount from a minimum of \$10 per paycheck up to the lesser of the annual IRS contribution limit or 100% of your includible compensation.
- » You can contribute pre-tax dollars, after-tax Roth dollars or a combination of both up to the annual contribution limit.
- » Please remember that you may have **other deductions**—for medical coverage, your pension, other—in addition to your regular living expenses when deciding how much to defer.
- » The IRS contribution limit on deferrals in 2018 is **\$18,500 pre-tax** and/or after-tax Roth combined and is subject to change. *Note: The contribution limit applies to the sum of your contributions and any made on your behalf by the City (applicable to police officers, police management, fire fighters and fire chiefs only).*
- » If you are age 50 or older, you may make additional “catch-up” contributions to the Plan; the maximum age 50 **catch-up** contribution for 2018 is \$6,000 per year and is subject to change by the IRS.
- » You also may be able to elect **special catch-up contributions** (i.e., Last Three-Year Special Catch-Up) in one or more of the three years prior to the year in which you attain normal retirement age; your ability to make the special catch-up contributions in one or more of the three years will depend on your eligibility rules, contribution history and not making **Age 50 Catch-up** contributions simultaneously.
- » Those utilizing the **Last Three-Year Special Catch-Up** provision must contact **DeferredCompQuestions@seattle.gov** in order to change deferral rates or deferral type (e.g., pre-tax and/or after-tax Roth).
- » You may change your deferral amount or stop contributions at any time. Changes generally take effect two to three pay periods following the calendar month.
- » You may change your investment allocation for future contributions at any time.
- » You may transfer/roll over amounts from another employer’s eligible retirement plan or IRA.



LOAN RULES

- » Only one outstanding loan from the Plan is allowed at a time.
- » The **minimum** loan amount is \$1,000.
- » The maximum loan amount is the least of:
 - 50% of your vested Plan account balance (including any amounts held in a self-directed brokerage account);
 - 100% of your vested Plan account balance (not including any amounts held in a self-directed brokerage account); or
 - \$50,000, reduced by the highest outstanding aggregate loan balance during the 12-month period ending on the date of the loan (including any loans from another plan maintained by the City of Seattle).
- » Loan fees—\$25 loan application fee; \$50 annual loan maintenance fee (\$12.50 per quarter); \$50 loan refinancing fee.
- » Interest rate—Prime at time loan is issued + 1%; the interest **rate will remain fixed** for the life of the loan.
- » The term of a nonresidential loan (i.e. general purpose loan) **may not exceed five years**. The term of the loan can be up to 15 years if used for the purchase of a primary residence.
- » Repayments are made via an **after-tax payroll** deduction while you are actively working. Loan repayments may be suspended due to military leave or other eligible leaves; special repayment arrangements are required with the City if you want to increase the size of repayments when you return from leave.
- » Repaying an outstanding loan **will not** necessarily increase the amount permitted in a new loan.
- » You must pay off a loan before requesting a new loan from the Plan.
- » Upon separation of employment, you may continue to pay off your loan by contacting the Service Center.
- » If you default on your loan, the IRS will treat the unpaid balance as a withdrawal **subject to taxes** and possible penalties. Continuing City employees will not be able to obtain another loan from the Plan until the unpaid balance of your defaulted loan is paid in full. A \$50 default fee will be assessed, as well as an annual \$50 fee until the loan is paid.



EXCHANGE RULES

- » You may make transfers among investment options at any time, subject to certain restrictions on frequency.
- » Investing in individual stocks, real estate, etc., **is not** permitted within the Plan.
- » Unrestricted amounts of money may be transferred from the Stable Value Fund directly to any other investment option, except a competing fund. Monies must remain invested in a noncompeting fund for at least 90 days before moving to a competing fund.



WITHDRAWAL RULES

1. Upon separation you may:

- » receive a partial or full lump sum payment;
- » elect systematic payments;
- » leave your funds in the plan until age 70½;
- » transfer your balance to an eligible retirement plan or IRA.

2. While in-service:

- » an unforeseeable emergency withdrawal is available under certain conditions;
- » you may be eligible to use part or all of your account balance to purchase missing service credits in your defined benefit pension plan—generally SCERS or DRS (You will need to submit a formal statement and invoice from the applicable plan);
- » you may take a one-time distribution if your account balance is less than \$5,000, you've made no contributions for two years and you've not received this type of withdrawal in the past. This withdrawal is limited to once per lifetime;
- » also see loan rules on previous page;
- » rollover source.





CONTACTS & RESOURCES

Onsite education

Seattle Municipal Tower
700 5th Ave., Suite 1635
Phone: 206-447-1924

To schedule an appointment, visit cityofseattledeferredcomp.com
and select "Schedule an onsite appointment."

Nationwide® Customer Service Center

Toll-free: 855-550-1757
Monday - Friday 5:00 a.m. - 8:00 p.m. PDT
Saturday 6:00 a.m. - 3:00 p.m. PDT

City of Seattle Deferred Compensation Plan Management

Email: deferredcompquestions@seattle.gov

Plan information and account login

www.cityofseattledeferredcomp.com



Nationwide®

- Not a deposit • Not FDIC or NCUSIF insured • Not guaranteed by the institution
- Not insured by any government agency • May lose value

Withdrawals are generally taxed at ordinary income tax rates.

This notice is intended to provide a brief review of certain key aspects of the Plan. If there are discrepancies between the contents of this notice and the plan document, the terms of the Plan shall govern. Please refer to the Plan Document, Investment Policy Statement and other documents for more information, or contact deferredcompquestions@seattle.gov

Keep in mind that qualified retirement plans, deferred compensation plans and individual retirement accounts are all different, including fees and when you can access funds. Assets rolled over from outside account(s) may be subject to surrender charges, other fees and/or a 10% tax penalty if withdrawn before age 59½. Nationwide education consultants do not give legal or tax advice. Please contact your legal or tax advisor for such advice.

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

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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 2018 annual maximum is \$18,500 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 \$6,000, raising your annual maximum to \$24,500 in 2018. You can update your deferrals to incorporate the Age 50 Catch-up online.

2. Last Three-Year 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 \$37,000 in 2018. Questions regarding Last Three-Year 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 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 rollover 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 may be available 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.

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 70 ½;
- 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 (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. 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. With professional management from Wilshire Associates, your investments are selected for you based on your age and risk tolerance and then monitored and adjusted over time.

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.

FEES

What are the fees for participating in the plan?

The Plan charges an annual asset fee of 0.14%. This is charged against all plan assets under management on a monthly-basis and is used to cover Plan administration 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 (855) 550-1757, Monday through Friday, 5:00 a.m. – 8:00 p.m. and Saturday, 6:00 a.m. to 3:00 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 www.cityofseattleddeferredcomp.com.



Contact your Voluntary Deferred Compensation Education Consultant by calling **206-447-1924** or setup a personal meeting at **www.cityofseattleddeferredcomp.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. They are Registered Representatives of Nationwide Investment Services Corporation, member FINRA.

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