LEARN MORE ABOUT YOUR 457(b) PLAN

Questions and Answers
About 457(b) Plans for Governmental Organizations

Q: What is a 457(b) Deferred Compensation Plan (DCP)?
A: A 457(b) plan is a retirement plan maintained by a governmental agency or certain non-governmental, tax-exempt employers. Contributions are made on a pre-tax basis and accumulate tax deferred until withdrawn. Upon distribution, withdrawal of both contributions and earnings will be subject to ordinary income tax.

Q: How does a 457(b) DCP work?
A: You decide how much of your salary you want to defer and complete a Deferred Compensation Agreement for your employer.

Q: What advantages are there to participating in a 457(b) plan?
A: When participating in a 457(b) plan, you can reduce your current income taxes and set aside money for your retirement at the same time. Some people pay taxes on their income first and use what is left over to put money into preparing for retirement. Since federal income taxes are calculated on your income after your retirement plan contribution has been deducted, you may pay less in current federal income taxes. Thus, you may actually have more spendable income than you would if you were contributing a comparable amount to an account where contributions and earnings are subject to current income tax rules.

Q: How much can be contributed to a 457(b) plan?
A: For the 2021 calendar year, the regular contribution limit (your contributions plus employer contributions) is $19,500. This amount will be adjusted for inflation as needed in future years. Deferrals to a 457(b) plan are not offset by employee elective deferrals to other retirement plans. Additionally, governmental 457(b) plans may provide for age 50 catch-up contributions and/or special 457(b) catch-up contributions.

Q: What are age 50 catch-up contributions?
A: Age 50 catch-up contributions are deferrals over the regular contribution limit that governmental 457(b) plans may allow participants age 50 years and older to make. For 2021, the age 50 catch-up contribution amount is $6,500. Like the regular 457(b) contribution limit, this amount is subject to future cost of living adjustments. Check with your plan administrator to see if your plan allows age 50 catch-up contributions.

Q: What are special 457(b) catch-up contributions?
A: Special 457(b) catch-up contributions are deferrals over the regular contribution limit that 457(b) plan participants may make if they are within three taxable years ending before their normal retirement age (as defined in the plan). Unlike age 50 catch-up contributions, which may be offered only by governmental 457(b) plans, any 457(b) plan may provide for this special catch-up contribution. If the plan allows special 457(b) catch-up contribution, the deferral amount is increased to the lesser of:

- Twice the dollar limit
- Sum of current year limit plus unused portion of prior year limits

The unused limit for a year is the difference between the regular contribution limit in effect for that year and the amount contributed for that year.

Important: If a governmental 457(b) plan allows both special 457(b) catch-up contributions and age 50 catch-up contributions, a participant wishing to make catch-up contributions must make the greater of the two.

Q: When can I withdraw my 457(b) deferrals?
A: Like other retirement plans, a 457(b) plan is intended to be a long-term investment for your retirement. As a result, a 457(b) plan can permit distributions only in the event of death, disability, severance from employment (termination of employment or retirement at any age) or an unforeseeable emergency. Additionally, the plan may allow a one-time withdrawal if your account value is $5,000 or less, there have been no contributions to your account for the two-year period ending on the date of the distribution and no prior withdrawals of this type have been made. Check with your plan administrator for the plan's distribution rules.

Q: Can I roll over my account when I terminate my employment?
A: You may roll over your account balance to another eligible retirement plan (for example, an Individual Retirement Account (IRA) or a profit-sharing, 401(k), 403(b) or governmental 457(b) plan).

Q: How can I change the amount of my deferral?
A: You can increase or decrease the amount of compensation you defer according to your employer's plan specifics. Generally, changes are allowed at least once a year.

Q: Will I pay taxes when I withdraw my 457(b) account?
A: All distributions paid to you will be subject to ordinary income tax in the taxable year the distribution is paid from the plan.

Q: Can I roll over money from an existing IRA or my account in another retirement plan into my 457(b) account?
A: A 457(b) plan sponsored by a governmental employer may accept rollovers in from an IRA (except Roth IRAs, other after-tax and Coverdale Education Savings Accounts) or another retirement plan.

Q: How are my 457(b) deferrals invested?
A: You may choose from a variety of investment options in the AUL Group Annuity contract.

One day you will have a better understanding of your 457(b) plan. One Day is Today!® For more information on 457(b) plans, visit *www.oneamerica.com/today.*

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