

## 457(b) and 401(a) DEFERRED COMPENSATION PLANS INFORMATION IF SEPARATING FROM CITY SERVICE

**If you separate or retire from service with the City of Sacramento (City) and you have assets in a City 401(a) or a 457(b) plan, the following information is an overview of the options for your plan assets.**

1. You may leave your funds in the City's 401(a) or 457(b) plans at Nationwide when you leave employment with the City. However, if your balance in your 401(a) or 457(b) account goes to \$0, that account will be automatically closed and you will not be able to roll/deposit any eligible funds back into the account. It will be closed to all transactions. For example: if your 457(b) balance goes to \$0, your 457(b) account will be closed to all transactions, even if you still have a balance your 401(a) account. If you are choosing to roll your 457(b) balance out to another plan, you need to leave \$5,000 in your City 457(b) account in case you change your mind later and want that money deposited back into the City's 457(b) account.
2. When you separate from the City, you are eligible to withdraw money from the 401(a) or 457(b) plans at your own discretion, and you are generally not required to take a required minimum distribution (RMD) until after age 72 but it is also dependent on your birth year. Refer to the [key retirement milestones](#) for more information.
3. If you go to work for another employer and your new employer offers a qualified retirement plan, you may roll your 457(b) assets to another retirement plan such as a 457(b), 401(k), 403(b), or you may roll over your assets to an individually directed IRA. Withdrawals/distributions from the new plan will be subject to that plan's rules, including a potential 10% tax penalty if under the age of 59.5.
4. Your 401(a) assets can be rolled to another employer's qualified plan or to an individually directed IRA. Withdrawals/distributions from the new plan will be subject to that plan's rules, including a potential 10% tax penalty if under the age of 59.5.
5. For 401(a) withdrawals/distributions – if you are age 59.5 or older, you may take one-time lump sum or installment distributions after separation from service, and you will pay ordinary income taxes. If you withdraw funds prior to the age of 59.5, your withdrawal will be subject to an additional 10% tax penalty. Sworn public safety employees who are age 50 or over are excluded from the additional 10% tax penalty.
6. For 457(b) withdrawals/distributions – you may take a one-time lump sum or installment distributions after separation from service without restriction regardless of your age. You will pay ordinary income taxes, but you will not have an added penalty for withdrawing prior to a specific age. Important: this is the only plan type that does not include the penalty. However, if you transfer your 457(b) balance to a different plan, 401(k) for example, then your withdrawal

will be subject to the 10% penalty prior to age 59.5.

7. At age 72, but depending on your birth year, you will be required to start taking an RMD, [as specified by the IRS](#), from you deferred compensation accounts.

## **FREQUENTLY ASKED QUESTIONS**

1. ***I am separating or retiring from the City, and I want my eligible leave accrual payout to be deposited into a 457(b) account, but I don't currently have an account setup with Nationwide?***  
You must go to [www.cityofsacretplan.com](http://www.cityofsacretplan.com) at least two weeks prior to your separation date to set up your 457(b) account with Nationwide to ensure your contribution can be accepted and deposited. If you are not retiring from service and want your eligible leave accrual payout deposited into your 457(b) account, you also must complete Payroll's [Leave Payoff Options Upon Separation Form](#) and provide it to the Payroll Division in Finance.
2. ***I have separated or retired from the City and want to know more about what I can do with my 401(a) or 457(b) accounts? Who do I contact?*** Contact Nationwide at (877) 677-3678 or [www.cityofsacretplan.com](http://www.cityofsacretplan.com).
3. ***Once I separate, do I have to withdraw my money from my account?*** No. But if you wish to roll/transfer it over to a non-City plan, please know the City's plans have some of the lowest fees in the industry providing some of the lowest cost investment options. The plans also permit loans even if separated from City service. If, after comparing the plans' low fees, you still wish to roll your money to another institution, consider leaving at least \$5,000 in your account with the City. This way you can roll money back to the plan at a later point. If you transfer all of your money out, your City account will be closed.
4. ***Does the City tell Nationwide when I have left employment?*** The City sends a termination date file after the close of each month's payroll for processing by Nationwide. If you separate from service prior to the file processing date, then Nationwide will email the City requesting your separation date. A separation date is only provided to Nationwide if you have been formally separated from employment in eCAPS, even if you are no longer contributing to a plan. The City cannot provide a separation date if you have only given a notice of separation.
5. ***I'm a public safety retiree and I want to withdraw \$3,000 from my 457(b) plan to pay my health premiums or long-term care insurance. Does Nationwide offer this option?*** Yes, this option is available for qualifying retired public safety retirees. Contact Nationwide at (877) 677-3678 to request the authorization form for this withdrawal. A signature by the City is required for the 1<sup>st</sup> request. To obtain the signature on your completed authorization form, please contact Benefit Services at [benefitservices@cityofsacramento.org](mailto:benefitservices@cityofsacramento.org). *Beginning January 2025, if you use the withdrawal to cover your cost of your City-sponsored health insurance, the payment must be provided directly to the City and not the health carrier.*
6. ***I want to change my beneficiaries for my 401(a) or 457(b) accounts. Does the City do this for***

**me?** No, the City cannot change your beneficiaries. To change your beneficiaries, you will need to log into your Nationwide account at [www.cityofsacretplan.com](http://www.cityofsacretplan.com) or call (877) 677-3678.

7. **If I change my mailing address with the City, does the City update my address on file with Nationwide for me?** No, you need to log into your [Nationwide account](#) or call (877) 677-3678 to update your mailing address or email address. It is important to make sure addresses are kept up to date as the City or Nationwide will send communication to account holders, and the City will receive the addresses from Nationwide.
8. **I have a Retirement Health Savings (RHS) account with MissionSquare Retirement. Does all of the above information apply to that account too?** No, an RHS account has different regulations related to qualifying disbursements from your account. Please contact [MissionSquare Retirement](#) for questions or call (800) 669-7400. In approximately mid-2025, the City will move the RHS plans held with MissionSquare to Nationwide. More information will be provided in the future ahead of the transition date.
9. **I paid into the IAFF Medical Expense Reimburse Plan. How do I get information about my money in that plan?** This plan is not managed by the City. For assistance, contact [iaff-merp@vimly.com](mailto:iaff-merp@vimly.com) or call 1-844-353-7839.
10. **I paid into the PORAC Retiree Medical Trust. How do I get information about my money in the plan?** This plan is not managed by the City. For assistance, contact [porac@vimly.com](mailto:porac@vimly.com) or call 1-877-808-5994

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[City's Deferred Compensation webpage](#)