

**457(b), 401(a), and RETIREE HRA PLANS
INFORMATION IF SEPARATING FROM CITY SERVICE**

If you separate or retire from City of Sacramento (City) employment and have assets in a City-sponsored 401(a), 457(b), or Retiree Health Reimbursement Arrangement (HRA) plan, below is a general overview of your available options for those plan assets.

A. 401(a) & 457(b) Plans

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 in 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 age 73. 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 into 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 you are 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 you are under the age of 59.5.
5. 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 aged 50 or over are excluded from the additional 10% tax penalty.
6. 457(b) withdrawals/distributions – you may take a one-time lump sum or installment distributions after separation from service without restriction and regardless of your age if your 457(b) contributions were contributed on a pre-tax basis. 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 retirement plan type that allows penalty-free withdrawals on pre-tax contributions before age 59½ after separation from service.

- If you transfer your 457(b) balance to another type of retirement plan—such as a 401(k)—any withdrawals from the new plan will be subject to a 10% early withdrawal penalty if taken before age 59½, unless an exception applies.
- If you contributed to the 457(b) plan on an after-tax basis, known as the Roth 457(b), then you can withdraw funds tax free if your first Roth contribution was made at least five years prior, and you are at least 59.5 years old. Otherwise, your earnings portion of your withdrawal will be subject to income taxes.

7. Required minimum distribution (RMD) age rules:

- Age 73: For individuals who turn age 72 after December 31, 2022, and turn age 73 before January 1, 2033.
- Age 75: For individuals who turn 73 on or after January 1, 2033.
- You must take your first RMD by April 1 of the year after you reach the RMD starting age.
- Subsequent yearly RMDs must be completed by December 31 each year.
- [More RMD information from the IRS](#)

B. Retiree Health Reimbursement Arrangement (HRA) Plans

1. The City's Retiree HRA plans are called a Post Employment Health Plan (PEHP). The PEHP is a [Voluntary Employee's Beneficiary Association](#) (VEBA) plan and has different rules than the 401(a) and 457(b) plans.
2. Upon separation from City service, you may access the money in your PEHP plan to reimburse you for qualified medical expenses as defined by [Internal Revenue Code Section 213\(d\)](#).
3. You cannot roll your funds out of the PEHP and into another plan. You cannot roll funds from another plan into your PEHP.
4. If you return to employment with the City and still have money in your PEHP account, you will not be able to use your funds until you separate again from City employment.
5. If the account holder passes away, funds are made available to the surviving spouse and/or qualified dependents (as defined by Internal Revenue Code Section 152(a)) to use for eligible health care expenses. If no surviving spouse or qualified dependents remain to request reimbursement, the account balance is reallocated to the accounts of the remaining members of the plan.

C. 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 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.
3. ***Once I separate, do I have to withdraw my 401(a) or 457(b) 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 low fees of the City's plans, you still decide to roll your money to another financial institution, consider leaving at least \$5,000 in your City account. This way you can roll money back into the plan in the future. 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 provides Nationwide with a termination file after the close of each month's payroll cycle. If you separate from service before the file is processed, Nationwide will email the City to verify your separation date after you submit your request for a distribution. A separation date is only reported to Nationwide once your employment status is updated in eCAPS, even if you are no longer contributing to a plan. The City cannot provide a separation date based solely on 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 1st request. To obtain the signature on your completed authorization form, please contact Benefit Services at benefitservices@cityofsacramento.org. *If you want to use the withdrawal to reduce your monthly out-of-pocket premium deduction from your CalPERS pension check, the payment must be provided directly to the City and not to 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 must log into your Nationwide account at 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 must 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 using your address in your Nationwide account. You should also always use a personal email address for your account to ensure you have access to emails once you have separated from the City.
8. ***I have a Nationwide PEHP account. Does all of the above information apply to that account too?*** No, a PEHP has different regulations related to qualifying disbursements from your account. Refer

to the information in B. above or contact Nationwide at (877) 677-3678 for more assistance.

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 iaffmerp@bpabenefits.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 or call 1-877-808-5994

For further questions about your City 401(a), 457(b), or PEHP account, contact the City's dedicated Nationwide Retirement Specialist, Rick Watson, at rick.watson@nationwide.com.

[City's Deferred Compensation webpage](#)