

## 401A -- Distribution Options

The 401(a) plan is a Defined Contribution Plan, as defined by IRS Code. **Any income received from this account, prior to age 59½, will result in a 10% IRS penalty as well as a penalty assessed by the state (2½% for California).** This is in addition to the standard 20% federal tax withholding and 2% state tax for California. The penalties can be avoided by deferring your distribution until the appropriate age or rolling the funds over to a traditional IRA or another qualified plan.

We recommend that you meet Lauren Ryan, our Nationwide Retirement Solutions (NRS) representative, or your accountant, before making any decisions regarding the funds in your 401(a) account. To meet with Lauren, please schedule an appointment with Lauren Ryan at <https://meetwithlauren.myretirementappt.com/#/> or call (707) 565-3221 with any questions.

If you are 59½ or older when you separate from County employment, there are various options available for your 401(a) deferred compensation funds. You can either defer your distribution or choose one of several methods to begin distribution. Nationwide Retirement Solutions (NRS) has various Calculators to aid in your decision.

### Deferment

Your funds continue to remain in the plan as you have them invested and you continue to receive the plan benefits at low annual fees. Your funds can remain in the plan for any length of time until April 1st of the calendar year after you reach the following age:

- Age 72 if you were born in 1950 or earlier (70½ if you turned 70½ prior to 2020)
- Age 73 if you were born 1951-1959.
- Age 75 if you were born 1960 or later.

When you defer your distribution until the required age above, there is a Required Minimum Distribution (RMD), which will apply. If you do not take out the minimum required, a penalty of 25% of the amount that was not withdrawn as required will apply. Nationwide Retirement Solutions (NRS) is always available to help you calculate your RMD, so you will not be caught in this situation. Your RMD amount will show on your online statement and on your online account starting in the year you turn the required age.

### Distribution

There are six (6) different options available to withdraw funds from your account: lump sum withdrawal; partial lump sum; fixed dollar payment; fixed period payment; life Expectancy and Lifetime Payment; and an eligible rollover.

Systematic payments can be made on a monthly, quarterly, semiannual, or annual basis. All distributions, except qualified rollovers, are subject to a mandatory 20% federal tax withholding. State taxes are withheld at 2%. The only exception to this is on funds that were rolled over to your 457 plan from another type of eligible employer plan or traditional IRA.

Any amount that was rolled in will become subject to the additional 10% IRS penalty as well as a penalty assessed by the state (2½% for California), if you do a distributed prior to reaching age 59½. NRS

earmarks these funds, so they will know just how much is affected. At the end of the tax year, you will receive a 1099 from NRS stating the amount of taxable income received and taxes withheld. If you pass away before you have exhausted all your funds, your beneficiary will receive any account balance. They will be able to make their own decision on how they would like to receive their funds. The same options that are available to the participant will be available to the beneficiary.

#### **Lump Sum Withdrawal—**

Election of a lump sum withdrawal will have the entire value of your account issued to you in one check or if you set up a direct deposit, minus applicable taxes. Your account will then be closed.

#### **Partial Lump Sum Withdrawal –**

Election of this option will allow you to take out a portion of your funds. The remaining balance will remain in the account until withdrawn. This option can be combined with regular, systematic payments.

#### **Systematic Payments or Withdrawals –**

Systematic payments or withdrawals allow you to choose a payment to either be monthly, quarterly, semi-annually, or annually. There are two (2) options in which you may set up your payments, Fixed Dollar or fixed Period Payments.

#### **Fixed Dollar Payments –**

With this option, you pick a specified dollar amount and payment frequency, and this amount is paid to you until your account balance is zero. The duration of your payments depends on your account balance, the amount you request, and the performance of your investments. You will continue to receive quarterly statements and you still change your investment options. If at any time you need to change the dollar amount or frequency, you are allowed to do so by contacting us at (707) 565-3221 or [ACTTC-Deferred-Comp@sonoma-county.org](mailto:ACTTC-Deferred-Comp@sonoma-county.org).

#### **Fixed Period Payment –**

Selecting a fixed period payment will have your account balance paid to you for the number of years selected. Your payment amount depends on your account balance, the amount of time you request that you receive payments, and the performance of your investments. You will receive payments until the account balance is exhausted.

#### **Life Expectancy and Joint Lifetime Payment –**

Payments under this option are made based upon your age and that of your designated survivor. Your payment amount is recalculated annually based on life or joint life expectancy of you and your spouse at the time of calculation.

#### **Rollovers**

Funds may also be transferred to another Eligible Retirement Plan through a direct rollover. If you are interested in this option, please contact the Sonoma County Deferred Compensation Office at (707) 565-3221 for further information. An outgoing rollover form and a letter of acceptance is required to be submitted to Nationwide to complete a rollover.