



City of Eugene 457 Deferred Compensation Plan Roth Option – Frequently Asked Questions (FAQs)

Q. What is the Roth 457 Deferred Compensation Option?

A. The Roth Option is a new choice available in the City's Deferred Compensation Plan that allows you to contribute on an after-tax basis.

Q. What are the major differences between the traditional Pre-tax Option and the Roth Option?

A. Pre-tax Option

- Contributions are made pre-tax and are not subject to federal and state tax.
- Current taxable income is lowered by the amount of contributions.
- Money grows tax free.
- Distributions are taxable when withdrawn from your account.
- Rollovers are allowed to other eligible plans and traditional and Roth IRAs.
- Minimum distributions at age 70 ½ unless rolled to a Roth IRA, which has no minimum distribution requirement.

Roth Option

- Contributions are made after-tax and are subject to federal and state tax.
- Current taxable income is not lowered by the amount of contributions.
- Money grows tax free.
- Distributions are tax-free if you meet the requirements for a Qualified Distribution.
- Rollovers are allowed only to another Roth or Roth IRA
- Minimum distributions at age 70 ½ unless you roll to a Roth IRA, which has no minimum distribution requirement.

Q. What is a Qualified Distribution from a Roth Option?

A. In order to have a Qualified Distribution you must be at least 59 ½ years old, disabled or deceased, and five years must have passed since the year of your first Roth contribution.

Q. Will both the Pre-tax Option and the Roth Option have the same investment choices?

A. Yes.

Q. Can I put part of my money in a Roth option and also continue to contribute to the Deferred Compensation Plan on a pre-tax basis?

A. Yes, you will be able to split your contribution to the Plan any way that you want.

Q. Do the Roth Option and the Pre-tax Option have separate annual maximum contribution amounts?

A. No. There is a combined annual maximum contribution limit.

Q. Can I change my mind and have my Roth contributions treated as pre-tax contributions?

A. No. However, you can stop your Roth contribution or change the amount of money you choose to defer into the Roth option effective the month after you complete a new participation agreement form.

Q. How do I enroll in the Roth Option?

A. You must meet with Voya to enroll and choose your fund options.
Voya Financial Partners
160 E. Broadway Suite 200, Eugene, OR 97401
541.343.6759

Comparing the Pre-tax and Roth 457 Deferred Compensation Options

The chart below compares the Pre-tax and Roth 457 Plan Options. Because future tax rates are uncertain, your tax rate could be the same or higher in retirement. To diversify against this risk, it may help to hold a combination of pre-tax savings (which will benefit you if tax rates fall in retirement) and Roth (after-tax) savings (which will benefit you if tax rates rise).

Provision	Pre-Tax 457	Roth 457
Contributions	<ul style="list-style-type: none"> • Combined annual maximum contribution limit. • In the 457 Plan, you may choose to make pre-tax contributions and/or Roth (after-tax) contributions. However, the combined deferral cannot exceed the maximum allowed under IRS regulations. 	
Rollovers into the Plan	<ul style="list-style-type: none"> • Rollovers accepted only from another Pre-tax 457 plan. 	
Retiree Catch-Up	<ul style="list-style-type: none"> • This provision is available to participants who have underutilized 457 deferrals. Annual contribution limit is doubled for each of the three calendar years before reaching "Normal Retirement Age". Additional "Over Age 50" contribution is not included when calculating underutilized deferrals and cannot be used in the same year(s) Retiree Catch-up is used. 	
When are You Taxed?	<ul style="list-style-type: none"> • Pay Later: Contributions and earnings are taxed upon distribution. 	<ul style="list-style-type: none"> • Pay Now: Contributions are taxed when made but earnings are income tax-free upon qualified distribution.
In-Service Withdrawals	<ul style="list-style-type: none"> • Unforeseeable emergency withdrawals available only in the event of a severe financial hardship (subject to income taxes) • Small account withdrawal available if the account does not exceed \$5,000, there have been no contributions of the Plan for two consecutive years, there are no outstanding loans and there has not been a previous small account withdrawal (subject to income taxes). • In -service withdrawals available when participant reaches age 70½. 	
Withdrawals after Separation from City Service	<ul style="list-style-type: none"> • Account can be withdrawn without penalty after separation from service regardless of age (subject to income taxes). • No tax penalty for withdrawals taken before age 59½. 	<ul style="list-style-type: none"> • Withdrawals are tax-free if the requirements for a qualified distribution are met. • Distributions of Roth assets are qualified if you have separated from City service, are at least age 59½, and it has been at least five taxable years since the initial contribution. • Non-qualified distributions are subject to applicable taxes on investment earnings.