

## 457 / 401(k) Plan Comparison

### What are the differences between the 457 Plan and the 401(k) Plan?

Provision	Before Tax Deferrals		After Tax Deferrals
	457	Pre-tax 401(k)	Roth 401(k)
Contributions	<ul style="list-style-type: none"> <li>➤ 2009 annual limit of \$16,500; \$22,000 if age 50 or older</li> </ul>	<ul style="list-style-type: none"> <li>➤ 2009 annual limit of \$16,500; \$22,000 if age 50 or older</li> </ul>	
	<p>You may choose to put money in the 457 Plan or the 401(k) Plan, or both, for a combined deferral of \$33,000.</p>		
		<p>In the 401(k) Plan, you may choose to make before-tax contributions and/or Roth (after-tax) contributions. However, the combined deferral cannot exceed \$16,500.</p>	
Rollovers into the Plan	<ul style="list-style-type: none"> <li>➤ Rollovers accepted only from another 457 plan</li> </ul>	<ul style="list-style-type: none"> <li>➤ Rollovers accepted from 401(k) plans, IRAs, 403(b), and 457 plans</li> <li>➤ Accepts final pension payments or final pension loans from City retirement systems</li> <li>➤ Accepts eligible union annuities</li> </ul>	<ul style="list-style-type: none"> <li>➤ Direct rollovers accepted from Roth 401(k) plans</li> </ul>
Deferral Acceleration for Retirement (DAR)	<ul style="list-style-type: none"> <li>➤ 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".</li> </ul>	<ul style="list-style-type: none"> <li>➤ Not available</li> </ul>	
Income Limitations	<ul style="list-style-type: none"> <li>➤ None</li> </ul>		
When are you taxed?	<p><b>Pay Later:</b> Contributions and earnings are taxed upon distribution.</p>		<p><b>Pay Now:</b> Contributions are taxed when made <u>but</u> earnings are tax-free upon distribution.</p>
Loans	<ul style="list-style-type: none"> <li>➤ Available</li> </ul>		<ul style="list-style-type: none"> <li>➤ Not Available</li> </ul>
In-Service Withdrawals	<ul style="list-style-type: none"> <li>➤ Hardship withdrawal available only in the event of an unforeseeable emergency (subject to income taxes)</li> <li>➤ Small account withdrawal available if the account does not exceed \$5,000, there have been no contributions to the Plan for two consecutive years, and there has not been a previous small account withdrawal (subject to income taxes)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Hardship withdrawal available only in the event of an immediate and heavy financial need and only in the amount necessary to satisfy the need (subject to income taxes and penalties, if applicable)</li> <li>➤ In-service withdrawals available when participant reaches age 59½ (subject to income taxes but no 10% penalty)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Hardship withdrawal available only in the event of an immediate and heavy need and only in the amount necessary to satisfy the need (subject to income taxes and penalties, if applicable)</li> <li>➤ In-service withdrawals available when participant reaches age 59½ and it has been at least five years since the initial contribution</li> </ul>

Provision	Before Tax Deferrals		After Tax Deferrals
	457	Pre-tax 401(k)	Roth 401(k)
<b>Withdrawals after Severance from City Service</b>	<ul style="list-style-type: none"> <li>➤ No election is required until a distribution is requested.</li> <li>➤ Distributions can be requested as needed.</li> <li>➤ No tax penalty for withdrawals taken before age 59½</li> <li>➤ Account can be withdrawn without penalty after severance from City service, regardless of age (subject to income taxes)</li> </ul>	<ul style="list-style-type: none"> <li>➤ No election is required until a distribution is requested.</li> <li>➤ Distributions can be requested as needed.</li> <li>➤ Account can be withdrawn after severance from City service, but is subject to income taxes and, in most cases, to a 10% penalty for withdrawal before age 59½</li> </ul>	<ul style="list-style-type: none"> <li>➤ Distributions are tax-free if the account was established at least five years prior and is withdrawn after age 59½.</li> </ul>
<b>Rollover Distributions OUT of the Plan after Severance from City Service</b>	<ul style="list-style-type: none"> <li>➤ Rollovers available to 457 plans, 401(k) plans, 403(b) plans, the NYCE IRA, and other traditional IRAs (subject to the rules of the plan to which money is being rolled)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Rollovers available to 457 plans, 401(k) plans, 403(b) plans, the NYCE IRA, and other traditional IRAs (subject to the rules of the plan to which money is being rolled)</li> </ul>	<ul style="list-style-type: none"> <li>➤ Rollovers available to Roth 401(k) plans, the Roth NYCE IRA, and other Roth IRAs</li> </ul>
<b>Other Things to Consider</b>	<ul style="list-style-type: none"> <li>➤ If your tax rate will be lower at the time of distribution than at the time contributions were made, contributing to a tax-deferred account may be better than contributing on an after-tax basis.</li> </ul>	<ul style="list-style-type: none"> <li>➤ 457 assets can be used as a source of funding for the purchase of permissive service credits in an employee's pension system via trustee-to-trustee tax-free transfers.</li> </ul>	<ul style="list-style-type: none"> <li>➤ If your tax rate will be higher at the time of distribution than at the time contributions were made, contributing to a Roth 401(k) may be better than contributing on a pre-tax basis. Note: If in the future you will be receiving a City pension, your tax rate at that time is unlikely to be lower.</li> <li>➤ Estate planning: At severance from City employment, you can roll your Roth 401(k) qualified distributions into a Roth IRA. <ul style="list-style-type: none"> <li>- A Roth IRA has no Required Minimum Distributions (RMDs) at age 70½.</li> <li>- A Roth IRA allows you to delay distribution of your account until your death. At that time your beneficiaries have the option to receive distributions throughout their lifetime.</li> </ul> </li> </ul>

Which savings plan is right for a participant depends on the participant's individual circumstances and should be considered carefully. To approximate which plan may be most beneficial, consult with an independent investment advisor or use the Plan's Personal Financial Snapshot software available in the Planning Tools section of this Web site.