

September 2020



To: Chicago Fire Department Retroactive Payment Recipients

From: Nationwide Retirement Solutions

Re: Contributions to Deferred Compensation Plan from Retroactive Pay Increase Checks

We are pleased to announce that you may elect to defer income from your retroactive pay increase check into your Deferred Compensation Plan account, up to the maximum you are allowed in tax year 2020 under Internal Revenue Code Section 457.

If you would like to defer money from your retroactive pay increase check, please complete the enclosed worksheet, sign it, and return it to Nationwide Retirement Solutions, PO Box 182797, Columbus, OH 43218-2797. **You may also fax this form to (855) 338-5334 or email to rpublic@nationwide.com. We may contact you for clarification if we have any questions regarding your request, so please be sure to include daytime contact information.**

In order to avoid delays in the issuance of these special checks and to comply with federal tax laws, **requests for deferrals from these checks must be received by Nationwide Retirement Solutions by October 16, 2020**. If you have any questions, please contact Nationwide Retirement Solutions for assistance. Thank you.

Name:		SSN or Acct. #:	
Address:		Daytime Phone: () -	
City:	State:	Zip Code:	
Work Loc:		Date of Birth: / /	

(i.e., HQ, Engine 101, Academy, or enter address)

MM DD YYYY

USE ONLY ONE OF THESE COLUMNS:

Use this column if you were born in 1971 or later:		Use this column <u>only</u> if you were born in 1970 or earlier:		Use this column <u>only</u> for 3-Year Catch-Up*:	
Current deferral amount per pay:	\$	Current deferral amount per pay:	\$	Current deferral amount per pay:	\$
Multiply by 24:	X 24	Multiply by 24:	X 24	Multiply by 24:	X 24
Total 2014 deferrals from regular pay:	\$	Total 2020 deferrals from regular pay:	\$	Total 2020 deferrals from regular pay:	\$
2020 deferral limit:	\$19,500.00	2020 deferral limit:	\$26,000.00	2020 deferral limit:	\$39,000.00
minus 2020 deferrals from regular pay:	—\$	minus 2020 deferrals from regular pay:	—\$	minus 2020 deferrals from regular pay:	—\$
Total underutilized deferrals for 2020:	\$	Total underutilized deferrals for 2020:	\$	Total underutilized deferrals for 2020:	\$
Special deferral amount you would like to request from your retro check**:	\$	Special deferral amount you would like to request from your retro check**:	\$	Special deferral amount you would like to request from your retro check**:	\$

- * To be eligible for 3-Year Catch-Up, you must be within 3 years of Normal Retirement Age, as defined by your pension plan, and have not deferred the maximum amounts in previous years. 3-Year Catch-Up is a one time opportunity for three consecutive calendar years. Contact the local Nationwide Retirement Solutions office at (855) 457-2489, option 3, for assistance in determining your eligibility. (A supplemental worksheet is required to initiate the 3-Year Catch-Up.)
- ** The amount you request must be less than or equal to your underutilized deferrals for 2020. This amount must also be less than the amount of your retro check net of any other deductions. Nationwide Retirement Solutions will monitor your deferral limit and may reduce the special deferral amount deducted from your retro check if the maximum deferral limit would be exceeded for the 2020 tax year.

Signature: _____ Date: _____

Please fax form to (855) 338-5334, email to rpublic@nationwide.com, or mail to Nationwide Retirement Solutions, PO Box 182797, Columbus, OH 43218-2797.

Your signature indicates that you are a participant of the City of Chicago Deferred Compensation Plan, or have recently enrolled in the Plan, and consent to have a special one-time deferral in the amount requested above (or as reduced by Nationwide or the City to comply with maximum deferral limits) deducted from your retroactive pay increase check.

FAQs – Frequently Asked Questions

1. How much can I defer for 2020?

- a) In 2020, you may defer up to the regular maximum of \$19,500, which includes both your regular payroll contributions and any special deferral amount from your retroactive pay increase check.
- b) If you will be at least age 50 by 12/31/2020, then you may defer an additional \$6,500 in 2020, for a total deferral amount of \$26,000 (again including both regular payroll contributions and special retro check deferrals).
- c) If you are in the three (3) years prior to your Normal Retirement Age and have not contributed the maximum amount since you started working for the City of Chicago or the Plan's inception date, whichever is later, you may be able to participate in the 3-Year Catch-Up. 3-Year Catch-Up allows you to contribute up to twice the regular maximum deferral limit, which equates to \$39,000 in 2020. **If you are not already utilizing 3-Year Catch-Up in 2020, a supplemental worksheet must be obtained from a Nationwide Retirement Specialist and signed prior to the October 16, 2020 deadline.** Retirement Specialists are available 8:30 a.m. to 5:00 p.m., Monday through Friday, at (855) 457-2489, opt. 3.

2. Since the retroactive pay increase check includes income from pay increases that would have been paid starting in 2017, can I go back and make contributions for 2017 through 2019?

Generally, you may defer income only in the year in which that income is made available to you. Since this retroactive pay increase income is being made available to you in 2020, you may only contribute for tax year 2020. This means you may only defer up to your applicable maximum deferral limit for 2020.

3. If I'm already deferring the maximum amount for this year, does it make sense to stop my regular payroll deferrals and defer for the rest of the year from my retro check?

Studies have shown that regular investments at regular intervals will typically allow you to purchase more shares over time than investing one large lump sum. This is the effect of "Dollar Cost Averaging". While the choice of using this method is yours, it may not be to your advantage to do so.*

4. Why wouldn't I just increase my regular payroll deferral to take advantage of "Dollar Cost Averaging" and use my retro check to offset the difference?

Again, this choice is yours. We can accommodate your request however you would like. You may increase your regular contributions to the Plan by logging on to www.ChicagoDeferredComp.com or contacting our local office at (855) 457-2489, opt. 3.

5. I don't know how much my retro check is going to be. Can I transfer the total amount of the check?

The gross amount of your retro check will be calculated by the City, and there may be other deductions (i.e., pension contributions, healthcare premiums, etc.) that will be taken out before deferred compensation contributions.

While we will not know the gross amount of the checks until all the calculations are completed by the City, Nationwide and the City will work together to adjust deferral amounts before the checks are issued. If you are eligible to defer more than the amount of your retro check, Nationwide and/or the City will adjust the amount of your requested deferral so that the most possible can be deferred from your check. However, a small amount will need to be paid to you because the City must issue a check for something more than \$0.00.

6. How can I put my retro check deferral amount in the Fixed Option?

If you would like to put your special deferral amount in the Fixed Option, you must change your deferral investment election to 100% Fixed Option. You may do this by contacting our customer service center at 877-677-3678 or by logging on to www.ChicagoDeferredComp.com.

Please keep in mind that while your deferral investment election is set at 100% Fixed Option, all deferrals we receive from your regular pay checks will also be invested 100% in the Fixed Option. You will have to change your investment election back after the special retro pay deferral is received by Nationwide.

7. If I am retired, am I able to contribute from my retro check?

Federal tax regulations permit contributions from retired or otherwise separated employees only in the year of retirement or separation. If you retired or resigned in 2020 and have not withdrawn the entire balance of your funds to close your account, you will be able to defer from your retro check. If you retired or resigned in 2019 or before, unfortunately you will not be able to make a contribution to the Plan from your retro check.

8. I'm not currently enrolled in the deferred compensation plan, am I able to contribute from my retro check?

If you are a current employee and not enrolled in the City's Deferred Compensation Plan, it is a great benefit that may help you be better prepared for your retirement years. If you would like to join the Plan, just contact the local office at (855) 457-2489, option 3, to make an appointment with a Retirement Specialist to enroll you into the Plan. You may also enroll at the Plan's web site, www.ChicagoDeferredComp.com/enroll and click on the link to enroll.

* Dollar cost averaging does not assure a profit and does not guarantee against loss in a declining market. This type of strategy involves continuous investment in the security regardless of fluctuating price levels of such securities. Investors should consider their financial ability to continue purchases through periods of low price levels.