

City of Seattle Voluntary
Deferred Comp Plan

Catch-up options



Help your savings catch up
with your retirement needs

*Take a look at the Catch-up Provisions in the City
of Seattle Voluntary Deferred Compensation Plan*



Nationwide®

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What is Catch-up?

You have options to invest more for retirement

Consider two special provisions designed to help people nearing retirement invest even more. Your Voluntary Deferred Compensation Plan Education Consultant can help you understand these provisions, time frames and contribution levels, so you can make an informed decision for your needs.

Normally, the most you can elect to defer to your City of Seattle Voluntary Deferred Compensation Plan (457(b) Plan) account is the lesser of 100% of your includible compensation or the maximum limit set by the IRS. For 2018, that limit is \$18,500.¹ “Catch-up” allows eligible City employees to contribute more than the normal annual elective deferral limits to their 457(b) Plan account.² On the next page, we discuss the two options available through the Plan. You can only use one of these catch-up options per year.

¹ IRS Announces 2018 Pension Plan Limitations, IR-2017-177 (Oct. 19, 2017)

² As with your regular contributions, pre-tax Catch-up contributions and any earnings are tax-deferred, but will be taxed as ordinary income when withdrawn from your 457(b) Plan Account. Catch-up contributions designated as Roth are made with after-tax dollars and, subject to certain conditions, any earnings would be tax-free.

There are two types of Catch-up

AGE 50 CATCH-UP

The Age 50 Catch-up Provision allows a participant who has or will attain age 50 or more by the close of the calendar year to contribute an additional amount not to exceed the catch-up limit for the taxable year.

To be eligible, you must meet two criteria:

1. Be eligible to contribute to the City's 457(b) Plan
2. Be at least age 50 by 12/31 of the current calendar year

LAST THREE YEAR SPECIAL CATCH-UP

If you have not contributed the maximum 457(b) amount that you were eligible to contribute in all years of employment, the Last Three Year Special Catch-up Provision allows you to “catch up those contributions” — up to twice the normal annual maximum contribution amount. For example, in 2018 you may be able to contribute as much as \$37,000.

To be eligible, you must meet four criteria:

1. Be a participant who is eligible to contribute to the City's 457(b) Plan
2. Have under-deferred your 457(b) contributions in previous years
3. Designate your Normal Retirement Age (NRA)
4. You may not defer the increased Last Three Year Special Catch-Up amount in the year of your designated NRA. You will be able to defer the Age 50 Catch-up amount if you are age 50 or older.

Normal Retirement Age (NRA) is not the year you are required to separate from service. You designate your NRA when you elect to use Last Three Year Special Catch-up. This date must:

- Occur no later than age 70½
- Be no earlier than the year you would be entitled to full pension benefits with no reduction for age or service
- Meet the parameters of NRA according to the Plan Document.

Once your NRA is designated, the three calendar years prior are the only years in which you are eligible to make Last Three Year Special Catch-up contributions. The period cannot be extended. You may continue working past your NRA, but Last Three Year Special Catch-up contributions may not continue into, or beyond, the year you reach your designated NRA.

You may change your Last Three Year Special Catch-up contributions during this three-year period, including stopping and restarting your deferrals.

Before making decisions about Last Three Year Special Catch-up, please consult the City of Seattle Deferred Compensation Unit for more details and to confirm eligibility. They can be reached at 206-615-1340 or DeferredCompQuestions@Seattle.gov.

How Catch-up may work for you

MARY'S AGE 50 CATCH-UP

Year	Regular deferral	Catch-up deferral	Annual Contribution
2018	\$18,500	\$6,000	\$24,500

Mary turns 50 this year and would like to contribute as much as possible. She isn't ready to do Last Three Year Special Catch-up but can afford to defer more than \$18,500. In 2018, the maximum Age 50 Catch-up amount is an additional \$6,000. This means as an employee age 50 or older, she may contribute up to \$24,500 in 2018. This example assumes that Mary is not making contributions to any other 457(b) plans.

JANE'S LAST THREE YEAR SPECIAL CATCH-UP

Let's see how Last Three Year Special Catch-up helped one employee save more money for their retirement.

In 2014, Jane was 55 when she discovered she was eligible to retire with no reduction in 2017. So she elected age 58 as her NRA. Jane started working with her employer in 2001 but did not enroll into Deferred Compensation until 2006. She was already taking advantage of the Age 50 Catch-up but wanted to further increase her retirement savings.

The chart below compares Jane's contributions to the annual contribution limits and calculates her total under-utilized deferrals. Jane did not contribute to any other 457(b) plans during the years covered in this example.

JANE'S LAST THREE YEAR SPECIAL CATCH-UP

Year	Deferral limit	Jane's deferral	Difference
2002	\$11,000	\$0	\$11,000
2003	\$12,000	\$0	\$12,000
2004	\$13,000	\$0	\$13,000
2005	\$14,000	\$0	\$14,000
2006	\$15,000	\$15,000	\$0
2007	\$15,500	\$15,500	\$0
2008	\$15,500	\$15,500	\$0
2009*	\$22,000	\$22,000	\$0
2010*	\$22,000	\$22,000	\$0
2011*	\$22,000	\$22,000	\$0
2012*	\$22,500	\$22,500	\$0
2013*	\$23,000	\$23,000	\$0
Total	\$207,500	\$157,500	\$50,000

** Jane turned 50 in 2009. Limit includes age 50 catch-up amounts.*

JANE'S LAST THREE YEAR SPECIAL CATCH-UP

Year	Regular deferral	Catch-up deferral	Total deferral
2014	\$17,500	\$17,500	\$35,000
2015	\$18,000	\$18,000	\$36,000
2016	\$18,000	\$14,500	\$32,500
Total	\$53,500	\$50,000	\$103,500

Since Jane had \$50,000 in under-utilized deferrals, she could use the Last Three Year Special Catch-up Provision. This allowed her to contribute up to double the annual maximum limit imposed by the IRS during the three years before the year she reached her NRA in 2017. Note that in her final year, she can only contribute up to her remaining underutilized deferrals of \$14,500. In 2017 she could only contribute up to the age 50 catch-up maximum of \$24,000.

Consider catching up

Employees who meet age requirements can automatically participate in Age 50 Catch-Up by updating their deferral election at Nationwide. If you would like to take advantage of Last Three Year Special Catch-Up in the City of Seattle Voluntary Deferred Compensation Plan, reach out to the City of Seattle Deferred Compensation Unit. They can be reached at 206-615-1340 or DeferredCompQuestions@Seattle.gov

TOGETHER, YOU'LL



Discuss your situation



Find out your options and plan how to utilize them



Help calculate how much you will be able to defer through a Catch-up option



Receive guidance on obtaining and completing required paperwork

Let's talk

Contact a Voluntary Deferred Compensation Plan Education Consultant:



855-550-1757



www.cityofseattledeferredcomp.com
Select "Schedule an Appointment Today"

Contact the City of Seattle Deferred Compensation Unit:



206-615-1340



DeferredCompQuestions@Seattle.gov



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