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10 FAQ's Related to the City of Jacksonville 457(b) Deferred Compensation Plan

1. What is Deferred Compensation?

Deferred compensation can best be described as money that your employer deducts from your earnings and forwards to a qualified retirement plan of your choice, to be distributed to you upon termination of employment or retirement. You do not pay income tax on qualified deferred compensation until you receive the distributions.

2. What is a 457(b) account?

A 457 plan is a tax-exempt deferred compensation program made available to employees of government agencies, in this case the City. A 457(b) plan is similar to a 401(k) plan, except there are never employer matching contributions. Participants can defer some (or all) of their income (up to an annual limit established by the IRS). Contributions and earnings are tax-deferred until withdrawal.

3. How much money can I invest during?

Employees under the age of 50 can invest up to **\$18,500** for the **2018** tax year. Employees age 50 and older may contribute an additional **\$6,000** dollars for a total of **\$24,500** for the **2018** tax year. Employees that are eligible for the three-year catch-up provision and have an established retirement date that falls within may contribute up to a total of **\$37,000** for the **2018** tax year.

4. Does the City of Jacksonville offer a match to the funds I invest into the 457(b) plan?

No. The City does not currently match any funds that are invested into the 457(b) plan.

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5. Do I have access to the money that I have invested into the 457(b) plan?

There are strict guidelines set by the IRS that govern access to funds invested in a 457 plan. Based on these guidelines, unless you meet specific criteria, you will not have access to your invested funds while you are an active employee of the City of Jacksonville. Active employees CAN have access to invested funds should they qualify for a medical or financial hardship, also known as an unforeseeable emergency if the employee can provide valid documentation illustrating that the hardship was a result of something beyond the control of the employee AND that the employee has no other means of satisfying said obligations from other resources.

Examples of what MAY qualify as a hardship (Having no insurance does not qualify you):

- Outstanding medical expenses following a medical emergency AFTER all appropriate insurance benefits are paid.
- Outstanding expenses after insurance for damages to property, or loss of home, due to acts of nature (e.g., tornados, flood, fire, etc.) (Termite damage does not qualify).
- Funeral expenses following the death of a qualified dependent.

Examples of what WILL NOT qualify as a hardship:

- Divorce settlement.
- Legal fees or court orders.
- Purchase of home or automobile.
- College expenses.
- Over extended credit cards.
- Routine auto or home repairs.

PLEASE NOTE: EFFECTIVE APRIL 1, 2005 THE CITY'S DEFERRED COMPENSATION PROGRAM NO LONGER RECOGNIZE QUALIFIED DOMESTIC RELATIONS ORDERS.

Additionally, active employees that have a 457(b) account(s) that total a balance of less than \$5,000, and have not contributed to their account for a period of two years or more, may withdraw their funds; however, this can only be done if the Participant has not previously received an in-service distribution of the total amount payable to the Participant under the Plan.

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Lastly, employees that have separated their employment from the City of Jacksonville (e.g., retired, quit, terminated, etc.) have full access to their invested funds.

6. Do I have to be a certain age in order to receive distributions from my 457(b) account once I have terminated my employment with the City of Jacksonville?

No. You do not have to be a specific age in order to withdraw your funds once you separate from the City of Jacksonville. The only time that age is a factor with your 457(b) account is the age in which you will be REQUIRED to begin to receive minimum distributions, if terminated or retired. You must begin to receive a minimum distribution no later than April in the year following attainment of age 70 ½. An exception to this are employees that continue working for the City of Jacksonville after age 70 ½. While still employed, these employees may continue to defer until such time as they decide to retire or terminate their employment with the City of Jacksonville.

7. Can I make changes throughout the year to my contribution amounts or even stop my contributions if necessary?

Yes. Your participation in this program is totally at your discretion. The minimum that you can contribute is \$25 per pay period. You can increase or decrease, or stop your contributions on the first payroll of each month throughout the year as you see fit by contacting your account provider. The changes will take effect on the 1st day of the following month.

8. How do I set up a 457(b) account if I want to do so?

To get started you should contact all current City of Jacksonville Deferred Compensation Plan Provider(s) to obtain information about their products. The City of Jacksonville currently utilizes the services of Great West Retirement Services (904) 630-1212 extension 4304.

Empower representatives will be on-site at the Employee Benefits Office each workday from 7:30 a.m. – 4:30 p.m. They can be reached at 630-1212 x 4304. Once you decide you would like to have an account, you need to contact them once again to set up an appointment to meet with one of their representatives. A

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representative will meet with you one-on-one to get everything completed and will then submit the paperwork to Employee Benefits to get you set up.

9. Can I defer the money the City will give me for Roll Back and/or Sell Back?

Yes. This is only for employees in Leave Plan E. As long as these contributions do not make you go over the maximum amount of contributions permitted by the IRS for the tax year, then you can defer all, a portion, or keep the funds to yourself having them paid out in your paycheck. The choice is up to you. Please contact Great West/Empower representatives for more details on this option.

10. Can I defer the monies for my leave balance I have accrued on the books when I am retiring from the City of Jacksonville?

Yes. As long as these contributions do not make you go over the maximum amount of contributions permitted by the IRS for the tax year, then you can defer all, a portion, or keep the funds to yourself having them paid out in your paycheck. The choice is up to you.

The one thing you need to be aware of is that if you wish to defer this “terminal leave” you have built up, then you must start the process to get the money paid out to you and deferred PRIOR to your retirement date. Once you retire, you are no longer able to contribute to your deferred compensation account. Our office recommends that you begin this process with your payroll representative and deferred compensation representative roughly two months prior to your actual retirement date.

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