

City of San José Deferred Compensation  
Distribution Options Summary





# Voya Financial™

is committed to providing you with the information you need to help you make decisions that are right for you. The following **Questions and Answers** were compiled to address common questions regarding these distribution options.

By participating in the City of San José Deferred Compensation Plan, you've taken an important step in preparing for retirement. You've enjoyed the ease of payroll-deducted contributions, as well as the advantages of tax-deferral of both your contributions and any earnings until amounts are withdrawn or distributed from the plan.

As a participant, you'll eventually need to take another important step and elect a distribution of your plan benefits. To do so, it's important for you to understand the distribution provisions applicable to governmental 457 plans. Making an informed choice can help you avoid receiving your payments in a method you don't want, or from paying income taxes earlier than you would like.

This brochure is designed to help you with this important decision. We hope this information will answer many of the questions you may have concerning when and how you can receive benefits from the Plan.

***You should consider the investment objectives, risks, and charges and expenses of the investment options carefully before investing. Fund prospectuses and an information booklet containing this and other information can be obtained by calling 1-800-584-6001. Please read this information carefully before investing.***

**IMPORTANT INFORMATION:** Group annuities are long-term investments designed for retirement purposes. Money taken from the annuity will be taxed as ordinary income in the year the money is distributed. Account values fluctuate with market conditions, and when surrendered the principal may be worth more or less than its original amount invested. An annuity does not provide any additional tax deferral benefit, as tax deferral is provided by the plan. Annuities may be subject to additional fees and expenses to which other tax-qualified funding vehicles may not be subject. However, an annuity does provide other features and benefits, such as lifetime income payments and death benefits, which may be valuable to you.

# Questions & Answers



## When can I receive a distribution of my benefits under a governmental 457 plan?

The IRC only allows you to receive a distribution when you incur a triggering event. Triggering events for a governmental 457 plan are:

- severance from employment for any reason (check your Plan to see if there's a waiting period before your distributions can begin);
- reaching age 70½;
- death; and
- an unforeseeable emergency.

In addition, funds may be withdrawn by an alternate payee under a qualified domestic relations order (divorce proceedings) once your account is divided in accordance with the court order. You may also be able to transfer funds from the 457 plan directly to your defined benefit plan for the purchase of service credits. A plan must also provide that benefits be distributed to satisfy Required Minimum Distributions (RMD), triggered when a participant reaches the age of 70½ or severs employment, whichever comes later.

## Are there any other circumstances under which I can receive a distribution from my account while still working?

If your Plan provides, you may be eligible for a distribution at any time while you are still employed, if:

- your account balance is \$5,000 or less;
- you have not made contributions under the plan for the last two years; and
- you have never received a distribution under this type of plan provision in the past.

## What is an Unforeseeable Emergency Withdrawal?

Internal Revenue Service (IRS) guidelines provide that an unforeseeable emergency is defined as a severe financial hardship to the participant or beneficiary account holder resulting from:

- an illness or accident of the participant or beneficiary, the participant's or beneficiary's spouse, or dependent;
- loss of the participant's or beneficiary's property due to casualty; or

- similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the participant or the beneficiary. A plan may treat a participant's primary beneficiary under the plan in the same manner as the participant's spouse or dependent in determining whether the participant has incurred an unforeseeable emergency

Withdrawals are permitted only to the extent the hardship cannot be relieved:

- through reimbursement or compensation from insurance or otherwise;
- by liquidation of the participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship;
- or by cessation of deferrals under the plan.

Only the amount necessary to satisfy the emergency need can be distributed.

## What should I do if I need an emergency withdrawal?

For information on the procedures and requirements necessary to request an Emergency Withdrawal, you can go online to the library on the custom website at [voyaretirementplans.com/custom/sanjose](http://voyaretirementplans.com/custom/sanjose) or call Voya's Customer Service Center at (800) 584-6001.

## Can I Borrow from My Account?

Yes. Active employees who are participants in the San José 457(b) Deferred Compensation Plan are eligible to utilize the loan provision. In order to borrow from your account you must meet certain guidelines, including a minimum account value of \$2,025.00.<sup>1</sup>

<sup>1</sup> Loans may impact your withdrawal value and limit participation in future growth potential.

For more information on the San José 457(b) Deferred Compensation Plan loan provision, please contact the local San José office.

### **What do I need to do when I become entitled to a distribution from the Plan?**

Upon your eligibility for a distribution, you must notify the City of San José Deferred Compensation Department on whether or not you plan on taking an immediate withdrawal.

However, you are not required to make a benefit election when you retire or separate from service. Your employer's plan provides you with several options:

- postpone any decision on the payment of your benefits to a future date (no later than April 1<sup>st</sup> following the calendar year in which you attain age 70½);
- receive your benefits immediately, under one of the distribution options available under the plan; or
- roll over your benefits into another employer-sponsored, eligible retirement plan or traditional IRA (an eligible retirement plan is a 401 qualified plan, a 403(b) tax-deferred annuity program, or another governmental 457 deferred compensation plan). Amounts rolled into other plans may become subject to the IRC 10% premature distribution penalty tax, unless another exception applies.

Distributions are not available until 30 days after separation from service.

### **When am I required to begin receiving distributions?**

The IRC requires that distributions under a governmental 457 plan begin no later than April 1<sup>st</sup> of the calendar year following the calendar year in which you attain age 70½ or separate from service, whichever occurs later. If you fail to receive the RMD for any tax year, a 50% excise tax is imposed on the required amount that was not timely distributed.

### **What are my payment options under the Plan?**

When you are entitled to a distribution of benefits, the Plan will provide a variety of payout options from which to choose. These may include:

- systematic withdrawal of your account over a specified period or of a specified amount, (i.e, you can choose a certain dollar amount each month or choose a payout that lasts for a specific period of years);
- distribution over your lifetime;
- distribution over your lifetime and the lifetime of your designated beneficiary;
- distribution over a set time period, not extending beyond your life expectancy;
- distribution over a set time period, not extending beyond the joint and last survivor life expectancy of both you and your designated beneficiary;
- Required Minimum Distribution at age 70½ (Estate Conservation Option);
- lump sum, or partial lump sum distribution, in combination with other options.
- combination of options

### **Once I choose a payment method, can I change how I'd like to receive my benefits?**

Yes, if at a later date you decide your existing benefit option may not be appropriate for your current situation, you may make a change. (Please note: you will not be permitted to make a change if you previously elected an annuity payout option.)

### **How will my deferred compensation benefits be taxed?**

Amounts distributed to you from the Plan are considered taxable income and will be reported on IRS Form 1099R. Amounts are subject to federal and state taxes as ordinary income in the year they are distributed. Account values may fluctuate with market conditions and when distributed, the principal may be more or less than the original amount invested. Voya does not offer tax or legal advice. You should consult with your tax and legal advisors regarding your specific situation. Voya is required to withhold 20% federal tax for lump sum distributions.

For additional tax information, please see the "Special Tax Notice" in the payout packet available from your local representative.

## DISTRIBUTION OPTIONS SUMMARY

### **I have recently been divorced. How will amounts awarded to my former spouse be taxed?**

Amounts awarded and paid to a former spouse as a result of a divorce will be taxable to that former spouse.

### **Can I roll over my benefits to another plan?**

Yes, you will be permitted to roll over your benefits to another employer-sponsored, eligible retirement plan or traditional IRA. Amounts rolled from a governmental 457 plan to another plan type would be subject to any applicable IRC 10% premature distribution penalty tax if distributed prior to age 59½ (unless an exception applies).

### **Can I transfer my benefits to another 457 plan?**

After separation from service with the City of San José, you may transfer your Plan assets to another governmental 457 plan, if the plan to which you would like your assets transferred permits such a transfer.

Remember, group annuity contracts are intended as long-term investments designed for retirement purposes. Amounts distributed will be taxed as ordinary income in the year the money is distributed. An annuity does not provide any additional tax deferral benefit; tax deferral is provided by the plan. Annuities may be subject to fees and expenses to which other tax-qualified funding vehicles may not be subject. However, an annuity does provide other features and benefits such as lifetime income payments and death benefits which may be valuable to you.

### **What happens if I die?**

Upon your death, benefits would be payable to the beneficiary(ies) that you have designated under the Plan. The Plan will provide a variety of payout options available for the payment of death benefits. Your beneficiary must notify Voya of your death and make a payment election in accordance with the Plan.

*Please take time to ensure your beneficiary information is current by logging on to your account or by calling Voya's Retirement Readiness Service Center at (800) 584-6001.*

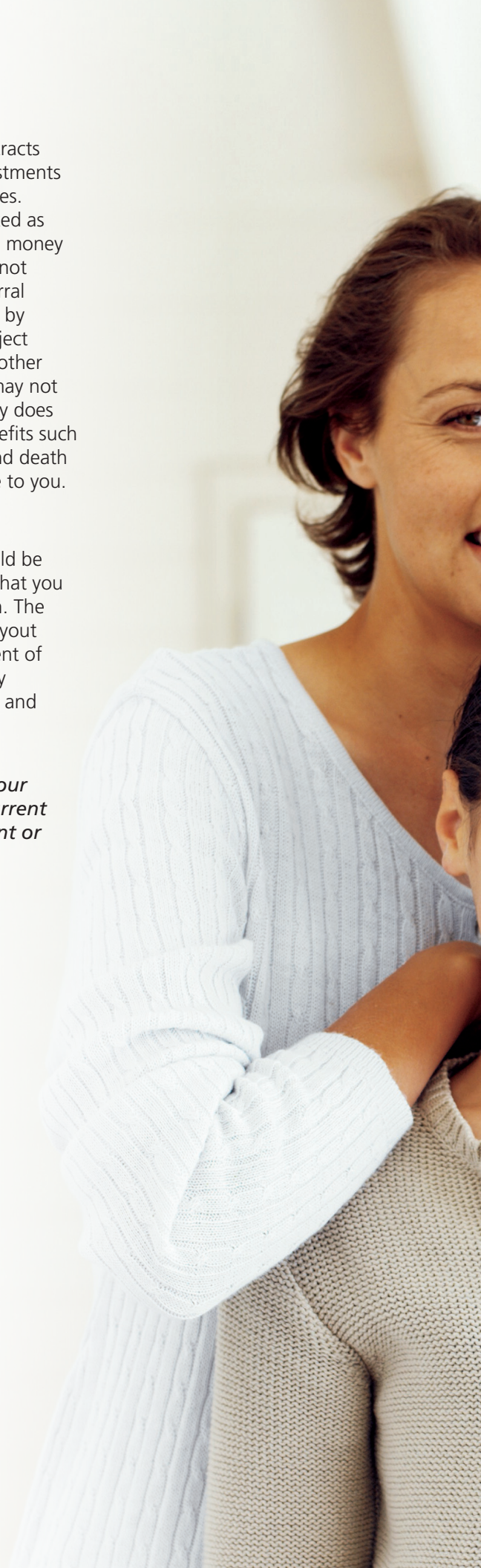
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## **How do I find out more?**

For additional assistance in making the right choice for your specific situation, contact your local Voya representative at **(877) 464-4748 or (408) 881-0110.**

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