

Frequently Asked Questions About Deferred Compensation

What's this? More money out of my check?

Deferred Compensation is voluntary savings for retirement. It also reduces your taxable income. The City can deduct the amount you chose from your pay for investing in mutual funds.

What's so great about it?

The contribution is a pretax deduction that reduces your taxable income. The tax savings can allow you to save more. When you leave employment you can withdraw the money without any penalty but pay ordinary income tax.

Why would I want to save more money?

Having a defined benefit pension plan is great but after 20 years of service it will only replace 45% of your income. Also if you retire before full social security age it is helpful to have savings to tide you over until you are eligible for social security.

What if I don't want to do this right now?

There is no restricted open enrollment for Deferred Compensation. You can start anytime. Join now or call our office for enrollment forms or information anytime.

Can I get the money out before I retire?

No, don't think of this as just another savings account. This is retirement savings, not a college fund for the kids or a new house. The IRS will only let you distribute the account for a qualified emergency defined as an unforeseeable event. You can borrow against your account for other purposes – see below.

OK, so what investments are available?

ICMA-RC has been selected as the City's deferred compensation provider. ICMA-RC offers a well-diversified range of mutual funds covering all segments of the market.

Can I borrow money from it?

Yes. However, you must have a minimum account balance of \$5,000 to apply for a loan. (Please call the Plan representatives for more details.)

When can I get the money out?

When you retire or terminate service you may withdraw the funds anytime you want with no penalties. You do not have to wait until you are 59 ½. Federal tax withholding is required unless you set a payment schedule of 10-years or longer but you will not pay any penalties.