



COUNTY OF LOS ANGELES  
*Always* **LA**  
Looking Ahead  
457(b) Horizons & 401(k) Savings Plans

# Planning for Retirement

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**Lead Retirement Plan Counselor**



# Topics

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- Things to Consider
- Keeping Your Money in the Plans
- Distribution Options
- Taxes
- Death Benefits



# Things to Consider Before Retirement

## Maximize Contributions

### 2023 Contribution Limits<sup>1</sup>

- Standard Contribution Limit:  
**\$22,500**
- With Age 50+ Catch-Up: **\$30,000<sup>2</sup>**
- With 457 Plan Special Three-Year Catch-Up: **\$45,000<sup>2</sup>**
  - To learn more about Three-Year Catch-Up, [click here](#).

## LACERA Plan Enhancement

- To learn more, visit [www.LACERA.com](http://www.LACERA.com).

1 Internal Revenue Service contribution limits are subject to change each year.

2 Although you may be eligible for both catch-up options, you may only participate in one option per year.

## Consolidate Accounts

- Rollovers into 457(b) Horizons and Savings

## Update Your Information

- Review your email address and beneficiary designation(s)



# Things to Consider Before Retirement: Termination Pay

Application Deadline:  
Apply at least 90 days in advance  
of your desired retirement date.

## Elect to Contribute Termination Pay

- To learn more about Termination Pay, [click here](#).
- **Application deadline: participants must apply for termination pay deferral 90 days in advance of the desired retirement date. To apply, contact the Pasadena local office at (800) 947-0845.**
- Contributing Termination Pay into your Plan(s) may be a great way to take advantage of tax-deferred savings and bolster your retirement nest egg.
- Your contributions have the potential to grow in your investments.
- Contributions are conveniently taken directly from your termination paycheck.
- Your contribution percentage can be 1% to 100% of your Termination Pay up to the applicable contribution limit. Any excess amounts will be paid to you in a check from the County.
- **ACTION NEEDED: Please note, you must contact Empower after submitting your form to ensure they were received and are in good working order.**

# Things to Consider Before Retirement: **Special Three-Year Catch-Up** Contribution Option

- **2023** contribution limit is **\$45,000**<sup>1,2</sup>
- To learn more about Special Three-Year Catch-Up, [click here](#)
- **Application deadline:** You must apply for the three-year catch-up **4-6 months in advance** of the desired start date. To apply, contact the Pasadena local office at **(800) 947-0845**.

<sup>1</sup> Internal Revenue Service contribution limits are subject to change each year.

<sup>2</sup> Although you may be eligible for the Age 50+ and Three-Year Catch-Up, you may only participate in one option per year.

## Normal Retirement Age (NRA) for Catch-Up Contribution Purposes

LACERA plan	Earliest NRA under the Horizons Plan	Earliest age for catch-up (three years prior to NRA)
All Sheriff and Fire Department Employees	40	The year you turn 37
Other Safety Member Plan A&B (those not employed by Sheriff or Fire Department)	55	The year you turn 52
Other Safety Member Plan C (those not employed by Sheriff or Fire Department)	57	The year you turn 54
General Member Plan A (except Sheriff and Fire Department employees)	62	The year you turn 59
General Member Plan B to G (except Sheriff and Fire Department employees)	65	The year you turn 62

**Application Deadline:**  
Apply for the Three-year Catch-up 4-6 months in advance of the desired start date.

# Outstanding Loans

If you have an **Outstanding Defined Contribution Plans Loan Balance** when you leave County employment, the loan is due at the time you separate from County employment. To pay your loan balance by the grace period described below, choose one of the following options:

- You must **pay off** your outstanding loan balance plus accrued interest **within the first 90 days** following termination, otherwise the loan will offset or will be defaulted (whichever is earlier). If you choose not to have your loan offset in the first **90 days** after termination, you may **pay off** your outstanding loan balance via a pre-approved ACH, bank-issued cashier's check or bank-issued money order.
- **Offset** your outstanding loan balance against your account. The loan will either be **offset** following **90 days** from termination or will be defaulted (whichever is earlier). You will have **90 days** to repay the remaining loan balance in full. If the loan is not paid in full within the first **90 days** after termination, the outstanding loan balance will be automatically offset and treated as a distribution. The amount of the offset will be reported as income to the IRS on Form **1099-R** for the year the distribution occurs.

# What happens when my Outstanding Loan Balance is treated as a Deemed Distribution?

## If your Outstanding Loan Balance(s) are treated as a “deemed distribution”:

- If you do not pay off your loan prior to the **90-day** grace period after termination, the amount of the remaining loan balance plus accrued interest will be **offset** against your account balance. If this occurs, the transaction is considered a ***deemed distribution*** and is treated as a taxable event.
- The total outstanding loan balance(s) will be reported to the IRS and are subject to taxes.
- You will receive an IRS tax form **1099-R** to file with your annual income tax return.
- **Note: If the loan was taken from your 401(k) Savings Plan, or if it includes monies that were rolled over from a 401(k), IRA or other qualified plan, the outstanding loan balance may also be subject to penalties.**

To learn more about the 457(b) Horizons and Savings Loan Policy, [click here](#).

# Broker Compare

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- **CAUTION:** Most participants who leave County service will be approached by an account representative or broker. If you are approached, it is important to understand what the other financial institution is offering you. Compare rates, fees and distribution options before you move your money.
- Please remember that **you do NOT have to take your money out of your 457(b) Horizons or 401(k) Savings Plan when you leave County service.** If you are considering leaving the Plan and have questions regarding your account, please contact Empower.
- **Understand what brokers are selling and how they get paid.**
- **Ask questions.** [Click here](#) to print a sample list of questions.
- Defined contribution accounts like the 457(b) Horizons and 401(k) Savings Plans are attractive to brokers due to potential commissions/management costs.

# Broker Compare

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- **Compare costs**, commissions, trading and other transaction costs versus costs for 457(b) Horizons/401(k) Plan(s).
- **Know what you are buying** – don't purchase what you don't understand.
- **If willing to pay a higher fee, be clear about the anticipated value**—and be cautious about promises of investment return.

# Five Great Reasons to Keep Your Money in the Plan

- 1. Affordable:** 457(b) Horizons and Savings offer low administrative costs, and investment products are institutionally priced and may be more competitive than retail mutual funds.
- 2. Flexible Distribution Options:** When it's time to start withdrawing your money, you can take partial distributions anytime or periodic distributions on a monthly, quarterly, semi-annual or annual frequency, and you can change the frequency as often as needed. You can also choose to purchase an annuity and receive payments from an annuity provider.
- 3. Convenience:** Continue working with the retirement experts that helped you get here. You can leave your money in the Plan(s) and not start taking distributions until April 1 (required begin date) of the year following the year you reach age 72 or separate from service, whichever is later.
- 4. Professionally Managed Investments:** By staying in the Plan(s), you maintain access to the target date funds and various asset class funds available in the plans. More knowledgeable investors who acknowledge and understand the risks associated with the investments can select their own investments through a self-directed brokerage account option.
- 5. Simplify Your Retirement:** If you have 457(b) Horizons and 401(k) Savings Plan accounts, you can consolidate them into one plan. You can also roll other retirement assets (such as IRAs or other eligible retirement plans) into the 457(b) Horizons and, if applicable, the 401(k) Savings Plan.<sup>1</sup>

Consider all your options and their features and fees before moving money between accounts.

# Flexible Distribution Options<sup>1</sup>

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## Partial distributions

- You decide how much and when to withdraw your money

## Periodic payments

- Select date to begin and how often to receive
- Cannot exceed life expectancy
- Select funds to be liquidated first
- Maintain control of your investment portfolio
- Required minimum distributions

## Transfer to LACERA

- Pay off your outstanding contract(s) with LACERA

<sup>1</sup> Withdrawals may be subject to ordinary income tax. Withdrawals made prior to the investor reaching age 59½ may incur a 10% early withdrawal penalty. The 10% federal early withdrawal penalty does not apply to 457 plan withdrawals except for withdrawals attributable to rollovers from another type of plan or account.

# Distribution options (*continued*)

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## Full Distribution

- Taxes, including 20% federal tax withholding and 2% State of California tax, would be deducted from the distribution amount. This tax withholding rule is also applicable to a partial distribution.
- Make sure Empower has your current address.

1 Withdrawals may be subject to ordinary income tax. Withdrawals made prior to the investor reaching age 59½ may incur a 10% early withdrawal penalty. The 10% federal early withdrawal penalty does not apply to 457 plan withdrawals except for withdrawals attributable to rollovers from another type of plan or account.

# Ways to Receive Your Distributions

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- Check
- Direct deposit
- Select the day of the month  
for your distribution



# Taxation of Distributions

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## 457(b) Horizons Plan

- Taxed as ordinary income
- Tax withholding is generally:
  - 20% federal
  - 2% state (residing in CA)
  - Other state withholding when applicable
- 10% federal excise penalty for distributions prior to age 59½  
DOES NOT apply to 457(b) Horizons 457 Plan accounts<sup>1</sup>
- Potential 50% IRS penalty if required minimum distribution is not met

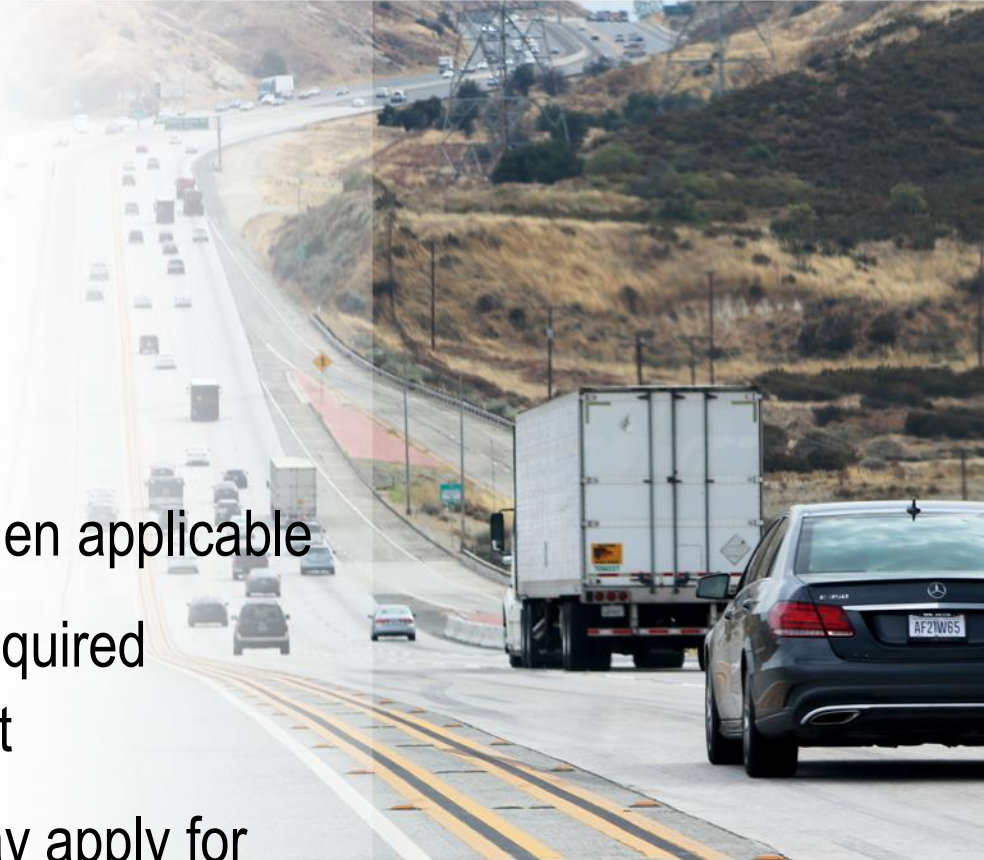
<sup>1</sup> If account contains rollover monies from a 401(k), IRA or other qualified plan, the 10% penalty may apply to the disbursement of those funds.

# Taxation of Distributions

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## 401(k) Savings Plan

- Taxed as ordinary income
- Tax withholding is generally:
  - 20% federal
  - 2% state (residing in CA)
  - Other state withholding when applicable
- Potential 50% IRS penalty if required minimum distribution is not met
- 10% federal excise penalty may apply for certain distributions before age 59½



# Additional Information for a Distribution

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- Possible wait time of **60 days** before funds are released
- Dependent on the date your department sets your termination date
- Once termination date and a Distribution/Direct Rollover Form are received by Empower, payments are processed within five to 10 days

# Death Benefits

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## Spouse

- Has same options as participant
- Defer to later of participant's Required Beginning Date or December 31 of year following death
- Take same payments as participant, change them, defer them, or roll to an IRA or other eligible retirement plan (keep in mind that the required minimum distribution rules may apply)
- Take lump sum
- ***Please note, if you are married and have someone else listed as a beneficiary, your spouse will need to sign a waiver.***

# Death Benefits (*continued*)

## Non-Spouse

If participant has **NOT** started taking required minimum distributions, a non-spouse beneficiary may:

- Take a full distribution within five years following participant's death
- Begin payments over the non-spouse beneficiary's life expectancy, within one year following participant's death
- Please note, beginning **January 1, 2022**, non-spouse beneficiaries – with the exception of minor children, disabled, or chronically ill beneficiaries, and beneficiaries not more than 10 years younger than the employee – will no longer be granted a life expectancy payout option, but must deplete the account **within 10 years** of the date of death of the original participant.
- Roll over funds to an inherited IRA within five years following participant's

# Death Benefits (*continued*)

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## Non-Spouse

If participant **HAS** started taking required minimum distributions, a non-spouse beneficiary may:

- Take a full or partial distribution at any time
- Resume payments recalculated for the non-spouse beneficiary's life expectancy. Please note, this provision will no longer be in effect as of **January 1, 2022.**
- Roll over funds to an inherited IRA at any time<sup>1</sup>

# Death Benefits (*continued*)

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## **Non-Individual** (*for example, a trust*)

- Distribute by fifth anniversary of participant's death

# Your Options

- You can leave your money in the [Plan\(s\)](#)<sup>1</sup>
- Understand your distribution options and be cautious of brokers
- Call **Client Services** at **(800) 947-0845** *Monday through Friday, 5:00 a.m. to 7:00 p.m. and Saturday, 6:00 a.m. to 2:30 p.m. PST*
- Or make an appointment: (Virtual)

## **Pasadena Service Center**

300 N. Lake Ave., Suite 210, Pasadena, CA 91101

**(800) 947-0845** *Monday through Friday, 7:00 a.m. to 5:00 p.m.*

**Check online to ensure that your beneficiaries are listed as expected on your account.**

## **Consult your financial planner/advisor**

- Scheduling benefits
- Tax consequences
- Excise penalties

## **Update your information**

- Review your email address and beneficiary designation
- Please note, as of January 1, 2022, there are new guidelines regarding payouts to beneficiaries. Please be informed of these rules before assigning a beneficiary.

# Resources



## Website

- [www.countyla.com](http://www.countyla.com)



## County of Los Angeles Service Center

- Speak or chat directly with a Plan representative
- Toll free (800) 947-0845, *Monday – Friday from 5:00 a.m. to 7:00 p.m. and Saturday from 6:00 a.m. to 2:30 p.m. Pacific Time.*



## Local Pasadena Office

- 300 N. Lake Avenue, Suite 210  
Pasadena, CA 91101
- Office hours: *M-F, 7:00 a.m. to 5:00 p.m.*
- Toll free (800) 947-0845
- **Virtual appointments are available.**  
Please call or go online to schedule.



# Thank You!

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## Important information regarding your meeting with representatives of Empower Retirement

Your Empower Retirement representative is a retirement plan counselor (RPC) acting on behalf of GWFS Equities, Inc. (GWFS), a member of the Empower Retirement family of companies. GWFS is a broker-dealer registered with FINRA and the U.S. Securities and Exchange Commission. GWFS primarily provides broker-dealer services to employer-sponsored retirement plans. All Empower Retirement RPCs are registered representatives of GWFS.

Empower Retirement's RPC can provide information and guidance about a variety of topics, including plan enrollments, distribution and rollover options, consolidation, investment conversations, and savings and contributions strategies by educating you about available options. During your interaction with your RPC, you will engage in an informational dialogue intended to help you understand basic concepts about investing, distribution options available to you, and the advantages of participating in your employer-sponsored retirement plan or an individual retirement account. Although your RPC cannot provide you with advice on your tax situation, they will share information related to the potential tax implications of taking receipt of the proceeds from your retirement investments.

In their capacity as RPCs, the representatives may provide you with retirement counseling services that include education related to various investment options available to you and enrollment processes related to products and services offered or serviced by GWFS or its affiliates. Services provided by your RPC do not include providing securities recommendations or investment advice. If you feel that you need specific securities recommendations, investment advice or tax advice, please consult with your personal investment and/or tax advisor.

To obtain the GWFS Form CRS, or for more information about Empower Retirement representatives, visit [empower-retirement.com](https://empower-retirement.com)

# Thank You!

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Investment options and their underlying funds have been selected by the Plan Administrative Committee. **Securities offered by GWFS Equities, Inc., Member FINRA/SIPC.** GWFS is an affiliate of Empower Retirement, LLC. This material is for informational purposes only and is not intended to provide investment, legal or tax recommendations or advice. Investing involves risk, including possible loss of principal.

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