Ohio Deferred Compensation

Planning for **Retirement**

You Have Earned it. Contributing Leave Cash-Out, Transferring and Withdrawing Money

Whether you are still working or preparing to retire, you may have the option to contribute a lump sum of money owed to you by your employer. For example, this could be for unused sick or vacation time at the end of the year, known as "leave cash-out."

Ohio DC must receive your request **at least 31 days** before the payout date of your lump sum. You must also be enrolled in Ohio DC before your last day of work.

If your leave cash-out is because of termination (ending employment or retiring), the IRS requires the deferred cash-out to be made within 75 days of your termination date or within the same calendar year in which you terminate, whichever is longer. The request to contribute your termination cash-out must also be completed one month prior to that pay date.

What can you do with your money?

2023 Annual Contribution Limits

- Normal: $22,500
- 50-Plus: $30,000
- Catch-Up: $45,000

If your leave cash-out will be more than the normal or 50-Plus limits, discover whether you are eligible for Catch-Up..

MY CHECKLIST:

- ☐ Pay date of my cash-out: ______________________
- ☐ Amount of my cash-out: ______________________
- ☐ Anticipated retirement date: ______________________
- ☐ Deadline for deferring leave: ______________________

(The catch-up application must be completed prior to the last day of employment.)

Catch-up and my leave cash-out

Many employees use the catch-up option to invest their sick and vacation leave cash-out at termination. If you expect a large leave payment (more than the normal deferral limit) and do not need the funds right now, you might qualify to invest a large lump sum.

Eligibility for catch-up

If you are within 3 years of normal retirement age, and if you have not contributed the maximum amount in the past, you might be able to contribute up to 2 times the normal limit. For example, this calendar year, you might be able to contribute $45,000. The catch-up option serves as a one-time opportunity that may last up to 3 consecutive years, as long as you are employed.

MY CATCH-UP CHECKLIST:

- ☐ Contact Ohio DC to determine how many years of W-2s are needed.
- ☐ *W-2s needed:* ______________________

Gather the W-2s and submit them to Ohio DC.

877-644-6457

Considering a **rollover?**

More convenient. Less hassle. And all you have to do is roll over.

Have you thought about the advantages of rolling over your **PLOP, DROP,** Traditional IRA, 457(b), 401(k), 401(a) or 403(b) account into Ohio Deferred Compensation? We will help you!

Why rolling over your outside retirement accounts makes sense:

- Manage your retirement investments with one program
- Select and diversify your investments
- Get flexible access to your funds as you need them for emergencies, a major purchase, a vacation—you decide
- Potentially grow your account until you need your funds
- Simplify your retirement funds with one consolidated statement
- Access a nonprofit program with low fees to eliminate unnecessary costs

This material is not a recommendation to buy or sell a financial product or to adopt an investment strategy. Investors should discuss their specific situation with their financial professional.

Have questions?

We will answer your personal retirement questions.

Get an analysis from your Retirement Planning Specialists. As credentialed, experienced professionals, we want to inform you about how to prepare for retirement. We have a variety of tools to help you:

- Determine your retirement income needs
- Contribute sick and vacation leave pay from your final paycheck
- Gain education on your current financial picture
- Simplify by combining all your assets into one program
- Choose the distribution option most suitable for you

An appointment with a Retirement Planning Specialist is a benefit provided to you at no additional charge. If you cannot come to our Service Center in Columbus, Ohio, you can schedule a phone or virtual conference.

Withdrawing your money

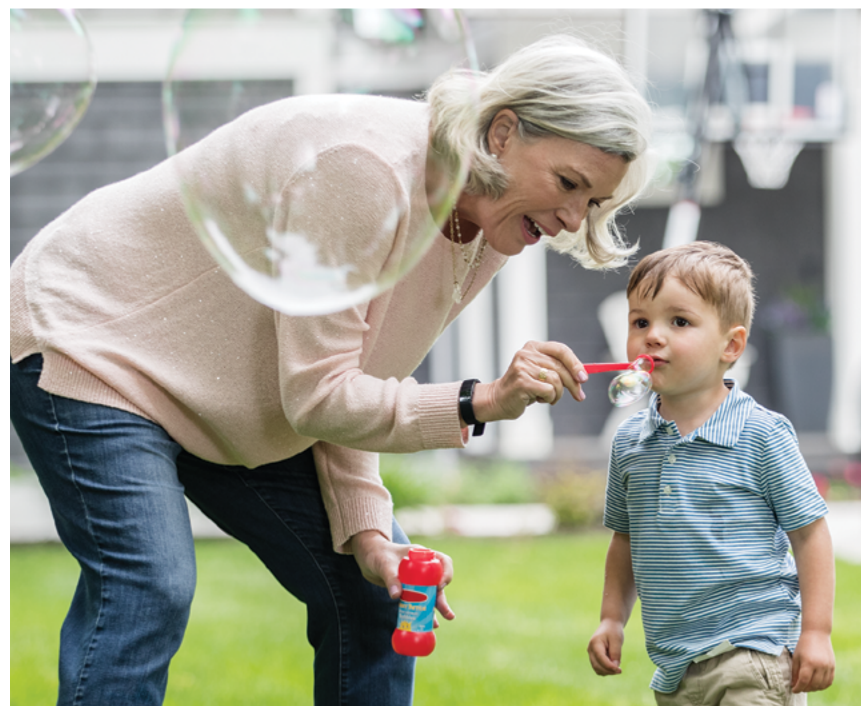
Withdrawal requests should be made 1 month in advance of establishing or changing a payment.

- Your first withdrawal can begin about **2 months after separation from employment** but is not required until you reach the required minimum distribution (RMD) age as defined by the IRS.
- Withdrawals can be **random or systematic** in frequency.
- You can **change your withdrawal choice anytime**.
- Please **plan ahead by 1 month** for withdrawal changes.
- Systematic payments are made to you on the **7th of the month.**
- **Withdrawals from your pretax account are considered taxable income.** Taxes can be withheld on your behalf, and tax withholding may be required depending on the type of withdrawal selected.
- For Roth contributions, qualified withdrawals that include earnings are tax free. Withdrawals from the Roth account will be subject to tax on earnings for nonqualified withdrawals. Please review the Roth brochure for additional information on specific rules for your Roth account.
- You may select any of the following payment frequencies: **annually, semi-annually, quarterly or monthly**, with a minimum payment of $250.
- For your convenience and security, **payments are made by direct deposit.**

Did you know?

If your completed systematic Withdrawal Form is received by the 22nd day of the month, your payment will be on the 7th of the next month.

- **If you have money in more than one investment option,** you may select to have payments withdrawn proportionally from each of your investment options, or you may designate payments to be withdrawn from only one investment option.
- **If you leave your job for any reason,** distributions may qualify under federal laws for rollover to other plan types. Please contact us for rollover eligibility.
- **Upon separation from employment,** there will be no charges or penalties assessed on withdrawals from your account.
- **Distributions before age 59½** from a rollover account, such as a 401(k), might be subject to early withdrawal penalties.



Taxes

Required withholding (pretax account)

The federal income tax withholding requirements vary depending on the payment option:

- For eligible rollover distributions, federal income tax withholding is required to be 20%, unless you elect a higher withholding rate by completing IRS Form W-4R. This generally includes full lump sum payments, partial lump sum payments, and any payment period lasting less than 10 years.
- For a lump sum payment that is not an eligible rollover distribution, which includes a payment that is part of a Required Minimum Distribution, the required withholding rate is 10%, unless you elect out of withholding or otherwise elect a different withholding rate by completing IRS Form W-4R.
- For systematic payments over a period of 10 years or more, federal income tax withholding applies as if the payment was wages and you were single with no adjustments, unless you elect out of withholding or otherwise elect a different withholding rate on IRS Form W-4P.

To customize your withholding rate, submit the IRS Form W-4R or W-4P, as applicable. Otherwise, the default withholding rate described above will be applied.

Optional tax withholding (pretax account)

Ohio DC is not required to withhold State of Ohio income tax from your payment. However, you may choose to have tax withheld for this purpose. If no Ohio Income Tax Withholding Certificate is submitted, withholding will be based on residency at the time of payment.

Roth account tax withholding

Roth contributions will not be subject to income taxes (federal or state) when distributed if the distribution from the Roth account satisfies the requirements to be a “qualified distribution.” In order to be a qualified distribution, the distribution must be made five or more years after January 1 of the first year the participant made Roth contributions and must be made on or after the attainment of age 59½, the participant’s death, or the participant’s disability. If the Roth withdrawal is non-qualified, the portion attributed to the Roth contributions is not subject to income tax since it was already taxed when it was made. The growth (net earnings) portion of the withdrawal would be taxable. For example, if 25% of the Roth account value was due to growth, 25% of any withdrawal would be considered taxable.

Things to consider

We are here to help you decide how to structure withdrawals from your account. Decide how your account can best serve you:

- Events such as trips, home remodeling projects, etc.
- Monthly payments to supplement your pension income
- Income until your Social Security or pension benefits start
- A final mortgage payment
- Payments that will allow your account to last throughout your retirement years

Payment Options

Systematic withdrawals

- **Dollar amount** — Payments of a specified dollar amount until your account is exhausted

Discretionary withdrawals

- **Partial lump sum** — A single lump sum payment of a portion of your account value; to select another payment option after the partial lump sum, a new Withdrawal Form must be completed
- **Full lump sum** — The withdrawal of your full account value in a single payment; to protect your investment from immediate taxation, you might want to consider other payment options; please consult with your tax professional when considering large withdrawals

NOTE: The minimum partial lump sum is $2,500.

Are you subject to a **required minimum distribution?**

Required minimum distribution (RMD)

- Your RMD typically, but not always, increases as you get older
- The amount is approximately:
  - 4% at age 75
  - 5% at age 80
  - 10% at age 93

This table is the current standard for calculating RMD. Future law changes could change the distribution period values shown to the right.

If you are separated from employment and 73 or older before the end of this calendar year, the Internal Revenue Service (IRS) requires you to take a distribution from your Ohio Deferred Compensation account. This **required minimum distribution (RMD)** is necessary in all of your tax-sheltered retirement plans, including traditional IRA, 401(k), 403(b), 401(a), 457(b) and Roth 457(b) accounts.

RMDs cannot be combined from different account types. For example, an RMD from a 457 account cannot be taken to fulfill an RMD from a 401(k) rollover account with Ohio DC.

To calculate your required distribution, just follow these 3 simple steps:

1. **Find your account balance** as of December 31 of the previous year. You can do this by looking at your fourth quarter or first quarter statement.
2. **Look up the distribution period number** that corresponds with your age as of December 31 of this year in the chart.
3. **Divide the value of your account** as of December 31 of the previous year by the distribution period number you took from the chart. The result is your RMD.

Example: A participant with an account balance last December 31 of $50,000, who will turn age 73 by the end of this year, would be subject to the following RMD:

$50,000/26.5 = $1,886.79

Age	Distribution Period	Age	Distribution Period
73	26.5	90	12.2
74	25.5	91	11.5
75	24.6	92	10.8
76	23.7	93	10.1
77	22.9	94	9.5
78	22.0	95	8.9
79	21.1	96	8.4
80	20.2	97	7.8
81	19.4	98	7.3
82	18.5	99	6.8
83	17.7	100	6.4
84	16.8	101	6.0
85	16.0	102	5.6
86	15.2	103	5.2
87	14.4	104	4.9
88	13.7	105	4.6
89	12.9		

Are you **returning to work?**

Re-enrollment

You are eligible to contribute income to Ohio Deferred Compensation if you return to public employment. However, you must re-enroll in Ohio DC at your new place of employment or with your same employer, if rehired. You must re-enroll 31 days prior to your first pay date. If you plan to continue public employment, **call us at 877-644-6457** to set up an account so you may continue contributing to the plan.

We are here to help

Phone appointments: 877-644-6457	**My Interactive Retirement Planner℠**
In-person or virtual appointments with a Retirement Planning Specialist	**Withdrawal calculators**
Webinars/field presentations	**Newsletters**
Ohio457.org	**257 East Town Street, Suite 457 Columbus, Ohio 43215-4626**

Information provided by Retirement Planning Specialists and Account Executives is for educational purposes only and is not intended as investment advice.

Qualified retirement plans, deferred compensation plans and individual retirement accounts are all different, including fees and when you can access funds without penalty. Assets rolled over from your account(s) might be subject to surrender charges or other fees from your current provider. There might also be a 10% tax penalty assessed by the IRS if withdrawn before age 59½ for outside accounts rolled into this plan. Ohio DC 457 accounts do not have age requirements or early withdrawal penalties. You should consider all factors before making a decision.

Investing involves market risk, including possible loss of principal.

Retirement Planning Specialists and Account Executives are Registered Representatives of Nationwide Investment Services Corporation, member FINRA, Columbus, Ohio.

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