

401a -- Distribution Options

The 401(a) plan is a Defined Contribution Plan, as defined by IRS Code. Any income received from this account, prior to age 59½, will result in a 10% IRS penalty as well as a penalty assessed by the state (2½% for California). This is in addition to the standard 20% federal tax withholding. The penalties can be avoided by deferring your distribution until the appropriate age or rolling the funds over to a traditional IRA or other qualified plan.

We recommend that you meet with Tod Christofferson, our Nationwide Retirement Solutions (NRS) representative, or your accountant, before making any decisions regarding the funds in your 401(a) account. To meet with Tod, please call (707) 565-3221 to schedule an appointment.

If you are 59½ or older when you separate from County employment, there are various options available for your 401(a) deferred compensation funds. You can either defer your distribution or choose one of several methods to begin distribution. Nationwide Retirement Solutions (NRS) has various [Calculators](#) to aid in your decision.

Deferral

Deferral of your distribution is also known as to “freeze or delay”. This is what happens when you decide to postpone taking any distribution from the plan. Your dollars continue to remain tax deferred and you continue to receive plan benefits at low annual fees and you may transfer assets among other plan investment options if you choose. The funds can remain in the plan for any length of time until April 1st of the calendar year after your each age 70½. When you defer your distribution until this age, there is a [Required Minimum](#)

[Distribution](#) (RMD), which will apply. If you do not take out the minimum required, a penalty of 50% of the amount that was not withdrawn as required will apply. Nationwide Retirement Solutions (NRS) is always available to help you calculate your RMD so you will not be caught in this situation.

Distribution

There are six (6) different options available to withdraw funds from your account: [lump sum withdrawal](#); [partial lump sum](#); [fixed dollar payment](#); [fixed period payment](#); [lifetime/joint lifetime payment](#); and [eligible rollover](#). Systematic payments can be made on a monthly, quarterly, semiannual, or annual basis. All distributions, except qualified rollovers, are subject to a mandatory 20% federal tax withholding. State taxes are only withheld at your request by submitting the appropriate forms. At the end of the tax year, you will receive a 1099 from NRS stating the amount of taxable income received and taxes withheld. If you pass away before you have exhausted all your funds, your beneficiary will receive any account balance. They will be able to make their own decision on how they would like to receive their funds. The same options that are available to the participant will be available to the beneficiary.

Lump Sum Withdrawal—

Election of a lump sum withdrawal will have the entire value of your account issued to you in one check, minus applicable taxes. Your account will then be closed.

Partial Lump Sum Withdrawal –

Election of this option will allow you to take out a portion of your funds and the balance will remain in your account for later. The remaining balance will continue to be tax deferred until withdrawn. This option can be combined with regular, systematic payments. Doing so will give you the best of both worlds, a

large chunk of cash to pay off bills or take a long awaited vacation, while receiving regular income.

Systematic Payments or Withdrawals –

Systematic payments or withdrawals allow you to keep your account invested in your options and you continue to manage your own investments. You choose the payment to either be monthly, quarterly, semi-annually or annually. There are two (2) options in which you may set up your payments, Fixed Dollar or Fixed Period Payments.

Fixed Dollar Payments --

With this option, you pick a specified dollar amount and payment frequency, and this amount is paid to you until your account balance is zero. The duration of your payments depends on your account balance, the amount you request, and the performance of your investments. You will continue to receive quarterly statements and you still have the ability to change your investment options. If at any time you need to change the dollar amount or frequency, you are allowed to do so by contacting us at (707) 565-3221.

Fixed Period Payment –

Selecting a fixed period payment will have your account balance paid to you for the number of years selected. Your payment amount depends on your account balance, the amount of time you request that you receive payments, and the performance of your investments. You will receive payments until the account balance is exhausted. There are three options of calculating your payment:

Method #1: Recalculates payment periodically by dividing account balance by number of remaining payments. Payment amount will change with each check.

Method #2: Recalculates your payment amount annually by dividing your December account balance by the number of remaining payments. Payment amounts will change in January of each year.

Required Minimum Distribution: If you are 70½ or older, NRS will determine the minimum amount you are to receive, based upon your payment frequency. If you do not take out the minimum required, a penalty of 50% of the amount that was not withdrawn as required will apply.

Lifetime/Joint Lifetime Payment –

Payments under this option are made based upon your age and that of your designated survivor. Your payment amount is recalculated annually based on life or joint life expectancy of you and your spouse at the time of calculation.

Rollovers

Funds may also be transferred to another Eligible Retirement Plan through a direct rollover. If you are interested in this option, please contact the Sonoma County Deferred Compensation Office at (707) 565-3221 for further information.