

PAYMENT OPTIONS AT RETIREMENT FOR 457 RSVP, DROP, AND 175/185 SUPPLEMENTAL SHARE ACCOUNT

These payout options apply to employees who have either retired or have terminated employment with the City of Tallahassee.

Option 1: Scheduled Payments

There are three methods under this option: 72t, DEFRA, and Annuity. The scheduled payments for 72t and DEFRA are based on IRS formulas using your age and account balance.

Option 1A: 72T Distribution (Empower Retirement)

- One payment option available: A monthly payment that is based on IRS formula using retiree age (IRS annuity tables) and account balance (including interest earnings). Unlike the DEFRA payment (option 2), this monthly payment is not recalculated each year, so your monthly payment remains the same for the life of the payout. Investment earnings on account balance would determine length of payout over your life expectancy.
- One additional payment, referred to as a partial withdrawal, may be requested annually.
- Taxable only as monthly payments are received.
- Retiree still has control over where funds are invested.
- Cash out provision at any time. A penalty may apply according to IRS regulations (penalty does not apply to RSVP).
- Death Benefit: Upon death of retiree, their primary beneficiary retains control of the account balance.

Option 1B: City DEFRA Distribution (Empower Retirement)

- Cash out provision at any time. A penalty may apply according to IRS regulations.
- One payment option available: A monthly payment that is based on IRS formula using retiree age (IRS rolling life expectancy annuity tables) and account balance (including interest earnings).
- The payment will be recalculated annually which may increase or decrease depending on interest earnings on your account balance.
- One additional payment, referred to as a partial withdrawal, may be requested annually on the anniversary date.
- Taxable only as monthly payments are received.
- Retiree still has control over where funds are invested.
- Cash out provision at any time. A penalty may apply according to IRS regulations (penalty does not apply to RSVP).
- Death Benefit: Upon death of retiree, their primary beneficiary retains control of the account balance.

Option 2: Lump Sum Payout

- You may take either a full or partial lump sum distribution.
- 20% taxes will be withheld automatically. This is an IRS rule and not subject to change.
- If you have not reached age 59^{1/2} when you take a lump sum, you may be charged with a 10% IRS penalty the year following the distribution. However, the penalty may not apply if you were at least age 55 in the year you terminate or retire.

* 10% **Penalty does not apply to RSVP.**

Option 3: Vest account and draw payments at a later date

- You may leave funds in account and draw payments at a later date based on the above options.
- Distributions must begin no later than age 70 ½ - IRS rule.

- Death Benefit: Upon death of retiree, their primary beneficiary retains control of the account including the 50% City's match. The account balance is paid in lump sum to beneficiary or beneficiary can choose to receive monthly payments under IRS regulations.