

Deferred Compensation 457 Plans

A 457 plan is an employer-sponsored (not employer contributed), tax-favored retirement savings account. This type of plan is offered to state and local government employees, including police officers, firefighters, and other civil servants. You can think of the 457 plans as a 401(k) for the government-worker set.

A 457 plan is a lot like a 401(k) or 403(b). These plans all offer individuals a great way to save for retirement, in addition to your CalPERS retirement plan. A 457 plan is offered through your employer, and contributions are taken from your paycheck on a pre-tax basis, which lowers your taxable income (a good thing come tax time). The interest and earnings on that money are not taxed until you withdraw the funds at retirement. That means the money has the opportunity to accumulate more quickly in the meantime.

Why should I participate?

1. You can start anytime

Your deferred comp plan will work for you whether you're approaching retirement or just getting started investing – putting away money in a tax-deferred account can offer several benefits.

2. Every little bit helps

Even investing a little bit of money can really add up over time – it's just important to get started! And if you continue to bump up contributions on a regular basis, the overall impact to your paycheck may not seem too painful. Consider putting raises or bonuses into deferred comp – it's an easy way to invest a little more.

Even though you are contributing to your retirement through CalPERS and may have contributed to Social Security in the past, in today's economic outlook you will never regret having additional funds available for retirement.

The City of Petaluma offers three (3) 457 Deferred Comp Options

1. **CalPERS:** Funds will be invested based on your age and years to retirement. More conservative as you get closer to retirement and more aggressive if you are just starting off in your career. You may also choose to select your own investments.
2. **Mass Mutual:** Options to select a Target Date where you simply choose the funds that are the closest to your target retirement date from a list of options or choose your own investments.
3. **ICMA:** Your contributions will be invested in the funds that you select, and the value of your account will fluctuate based on the performance of funds. You can make changes to your investments at any time.

If you would like to enroll or need additional information, contact Ruth Dunn at:
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