

Comparing Programs

The chart below highlights the similarities and differences between the 457 Plan and the 401(k) Plan as well as contributing on a pre-tax and Roth (after-tax) basis. Because future tax rates are uncertain, your tax rate could be the same or higher in retirement. To diversify against this risk, it may help to hold a combination of pre-tax savings (which will benefit you if tax rates fall in retirement) and Roth (after-tax) savings (which will benefit you if tax rates rise).

Provision	457		401(k)	
	Pre-Tax 457	Roth 457	Pre-Tax 401(k)	Roth 401(k)
Contributions	<ul style="list-style-type: none"> 2024 annual limit of \$23,000; \$30,500 if age 50 or older <p>In the 457 Plan, you may choose to make pre-tax contributions and/or Roth (after-tax) contributions. However, the combined deferral cannot exceed \$23,000; \$30,500 if age 50 or older.</p> <p>You may choose to put money in the 457 Plan or the 401(k) Plan, or both,</p>		<ul style="list-style-type: none"> 2024 annual limit of \$23,000; \$30,500 if age 50 or older <p>In the 401(k) Plan, you may choose to make pre-tax contributions and/or Roth (after-tax) contributions. However, the combined deferral cannot exceed \$23,000; \$30,500 if age 50 or older.</p> <p>for a combined deferral of \$46,000, or \$61,000 if age 50 or older.</p>	
Rollovers into the Plan	<ul style="list-style-type: none"> Rollovers accepted only from another Pre-tax 457 plan 	<ul style="list-style-type: none"> Rollovers accepted only from another Roth 457 plan 	<ul style="list-style-type: none"> Rollovers accepted from 401(k) plans, 403(b), 457 plans and IRAs Special 401(k) Rollover Account accepts: <ul style="list-style-type: none"> Final pension payments or final pension loans from City retirement systems Eligible union annuities 	<ul style="list-style-type: none"> Direct rollovers accepted from other Roth 401(k) or Roth 457 plans
Deferral Acceleration for Retirement (DAR)	<ul style="list-style-type: none"> This provision is available to participants who have underutilized 457 deferrals. Annual contribution limit is doubled for each of the three calendar years before reaching "Normal Retirement Age." Additional "over age 50" contribution is not included when calculating underutilized deferrals and cannot be used in the same year(s) DAR is used. 		<ul style="list-style-type: none"> Not available 	
Income Limitations	<ul style="list-style-type: none"> None 			
When are You Taxed?	Pay Later: Contributions and earnings are taxed upon distribution	Pay Now: Contributions are taxed when made <u>but</u> earnings are income tax-free upon qualified distribution, provided that you are at least age 59½ and it has been at least five taxable years since the initial contribution.	Pay Later: Contributions and earnings are taxed upon distribution	Pay Now: Contributions are taxed when made <u>but</u> earnings are income tax-free upon qualified distribution, provided that you are at least age 59½ and it has been at least five taxable years since the initial contribution.
Loans	<ul style="list-style-type: none"> Available 	<ul style="list-style-type: none"> Not available 	<ul style="list-style-type: none"> Available 	<ul style="list-style-type: none"> Not available
In-Plan Rollovers	<ul style="list-style-type: none"> You may choose to transfer money from Pre-tax to Roth, subject to income taxes. 		<ul style="list-style-type: none"> You may choose to transfer money from Pre-tax to Roth, subject to income taxes. 	
In-Service Withdrawals	<ul style="list-style-type: none"> Unforeseeable emergency withdrawals available only in the event of a severe financial hardship (subject to income taxes) Small account withdrawal available if the account does not exceed \$5,000, there have been no contributions to the Plan for two consecutive years, there are no outstanding loans and there has not been a previous small account withdrawal (subject to income taxes) In-service withdrawals available when participant reaches age 59½ In-service withdrawal due to a qualified birth or adoption: Plan participants may take an in-service distribution, of up to \$5,000 per child per plan. In-service withdrawal due to a domestic abuse incident: a plan participant may take an in-service distribution, penalty free, up to the lesser of \$10,000 or 50% of their account balance. 	<ul style="list-style-type: none"> Unforeseeable emergency withdrawals available only in the event of a severe financial hardship (subject to income taxes) Small account withdrawal available if the account does not exceed \$5,000, there have been no contributions to the Plan for two consecutive years and there has not been a previous small account withdrawal (earning subject to income taxes) In-service withdrawals available when participant reaches age 59½ (subject to income taxes if not a qualified distribution) In-service withdrawal due to a qualified birth or adoption: Plan participants may take an in-service distribution, of up to \$5,000 per child per plan. In-service withdrawal due to a domestic abuse incident: a plan participant may take an in-service distribution, penalty free, up to the lesser of \$10,000 or 50% of their account balance. 	<ul style="list-style-type: none"> Hardship withdrawals available only in the event of an immediate and heavy financial need and only in the amount necessary to satisfy the need (subject to income taxes and penalties, if applicable) In-service withdrawals available when participant reaches age 59½ (subject to income taxes, but no 10% penalty) In-service withdrawal due to a qualified birth or adoption: Plan participants may take an in-service distribution, of up to \$5,000 per child per plan. In-service withdrawal due to a domestic abuse incident: a plan participant may take an in-service distribution, penalty free, up to the lesser of \$10,000 or 50% of their account balance. 	<ul style="list-style-type: none"> Hardship withdrawals available only in the event of an immediate and heavy financial need and only in the amount necessary to satisfy the need (subject to income taxes and penalties, if applicable) In-service withdrawals available when participant reaches age 59½ (subject to a 10% penalty if not a qualified distribution) In-service withdrawal due to a qualified birth or adoption: Plan participants may take an in-service distribution, of up to \$5,000 per child per plan. In-service withdrawal due to a domestic abuse incident: a plan participant may take an in-service distribution, penalty free, up to the lesser of \$10,000 or 50% of their account balance.

Provision	457		401(k)	
	Pre-Tax 457	Roth 457	Pre-Tax 401(k)	Roth 401(k)
Withdrawals after Severance from City Service	<ul style="list-style-type: none"> No election is required until a distribution is requested Distributions can be requested as needed. <i>No tax penalty for withdrawals taken before age 59½</i> Account can be withdrawn without penalty after severance from City service, regardless of age (subject to income taxes) 	<ul style="list-style-type: none"> No election is required until a distribution is requested Distributions can be requested as needed. Account can be withdrawn income tax-free provided that you severed from City service, are at least age 59½ and it has been at least five taxable years since the initial contribution. Non-qualified distributions are subject to applicable income taxes on the earnings, but no 10% penalty. 	<ul style="list-style-type: none"> No election is required until a distribution is requested Distributions can be requested as needed. Account can be withdrawn after severance from City service, but is subject to income taxes and, in most cases, to a 10% penalty for withdrawal before age 59½ (unless retirement occurs after age 55) Eligible Retired Public Safety Officers can take money out of their 401(k) Plan penalty-free at age 50 or after 25 years of service, whichever is earlier. 	<ul style="list-style-type: none"> No election is required until a distribution is requested Distributions can be requested as needed. Account can be withdrawn, provided that you are at least age 59½ and it has been at least five taxable years since the initial contribution Non-qualified distributions are subject to applicable income taxes and a 10% penalty on the earnings.
Required Minimum Distributions* (RMDs) at age 73	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> No 	<ul style="list-style-type: none"> Yes 	<ul style="list-style-type: none"> No
Rollover Distributions OUT of Plan after Severance from City Service	<ul style="list-style-type: none"> Rollovers available to other 457 plans, 401(k) plans, 403(b) plans, NYCE IRA, and other traditional IRAs (subject to the rules of the plan to which money is being rolled) 	<ul style="list-style-type: none"> Rollovers available to other Roth 457 plans, Roth 401(k) plans, Roth 403(b) plans, the Roth NYCE IRA, and other Roth IRAs 	<ul style="list-style-type: none"> Rollovers available to other 457 plans, 401(k) plans, 403(b) plans, NYCE IRA, and other traditional IRAs (subject to the rules of the plan to which money is being rolled) 	<ul style="list-style-type: none"> Rollovers available to other Roth 401(k) plans, Roth 457 plans, Roth 403(b) plans, the Roth NYCE IRA, and other Roth IRAs
Purchase of Permissive Service Credits (Pension Buy-back)	<ul style="list-style-type: none"> Pre-tax 457 assets can be used as a source of funding for the purchase of permissive service credits in an employee's pension system via trustee-to-trustee tax-free transfers. 	<ul style="list-style-type: none"> Roth 457 assets are not eligible to be used. 	<ul style="list-style-type: none"> Pre-tax 401(k) assets can be used as a source of funding for the purchase of permissive service credits in an employee's pension system via trustee-to-trustee tax-free transfers. 	<ul style="list-style-type: none"> Roth 401(k) assets are not eligible to be used.
Other Things to Consider	<ul style="list-style-type: none"> If your tax rate will be <i>lower</i> at the time of distribution than at the time contributions were made, contributing to a tax-deferred account may be better than contributing on an after-tax basis. 	<ul style="list-style-type: none"> If your tax rate will be <i>higher</i> at the time of distribution than at the time contributions were made, contributing to a Roth 457 may be better than contributing on a pre-tax basis. Note: If in the future you will be receiving a City pension, your tax rate at that time is unlikely to be lower. 	<ul style="list-style-type: none"> If your tax rate will be <i>lower</i> at the time of distribution than at the time contributions were made, contributing to a tax-deferred account may be better than contributing on an after-tax basis. 	<ul style="list-style-type: none"> If your tax rate will be <i>higher</i> at the time of distribution than at the time contributions were made, contributing to a Roth 401(k) may be better than contributing on a pre-tax basis. Note: If in the future you will be receiving a City pension, your tax rate at that time is unlikely to be lower.

Which savings plan is right for you depends on your individual circumstances and should be considered carefully. To determine which plan may be most beneficial to you, consult with an independent tax advisor.

*The Internal Revenue Code requires you to begin taking minimum distributions (or greater amounts) from your Deferred Compensation Plan account no later than your "required beginning date." Your "required beginning date" is April 1st of the calendar year following the later of the calendar year in which you attain age 73 or the calendar year in which you retire from City service.