

Important Information for New 457(b) Participants

The ACCE 457(b) plan is a non-governmental 457(b) plan which means that it is a non-qualified plan that is only available to highly compensated and/or select management employees. Select management is typically around 10% of total employees. While this plan can be a very useful tool to bridging a retirement gap, it is important to also understand the risks associated with participation in the plan. Specifically:

1. Assets legally belong to the Employer while they remain in the plan, and are subject to claims of the employer's creditors. Account balances in a 457(b) plan remain a general asset of the employer and are available to general creditors until the participant receives constructive receipt (i.e. full distribution has occurred).
2. While the 457(b) plan provides key management the opportunity to save additional pre-tax dollars for retirement, it is important to note that the regulations surrounding distributions from this plan are specifically designed so that the plan may not be used for tax-shelter purposes. The only option for distribution is a taxable cash distribution or a series of taxable distributions after termination or retirement. These assets may never be rolled over to a qualified IRA, qualified annuity or qualified pension plan such as a 401(k). Also, the custodian is required to withhold 25% of all 457(b) distributions and will forward to the IRS as pre-payment of taxes owed. Whether you choose to elect a distribution immediately or defer your distribution to a later date, your election forms must be received within 90-days of your termination date. Failure to complete your election on time will result in a full and immediate taxable distribution from the plan.
3. ACCE membership is required for participation in the 457(b) plan. Termination of ACCE membership by the employer will cause a plan termination. Plan terminations require the custodian to process full and immediate taxable distributions from the 457(b) plan for all remaining participants (actively employee, terminated, or retired). ACCE membership dues may be paid for multiple years in advance by any organization, if desired.

