



# County of Santa Cruz

## 457 Deferred Compensation Frequently Asked Questions



### **What is Deferred Compensation?**

Deferred Compensation is an employment benefit offered to all Santa Cruz County employees. It is a supplemental retirement savings program that allows you to make contributions on a pre-tax basis. Federal and State income taxes are deferred until your assets are withdrawn, usually during retirement when you may be in a lower tax bracket. Deferred Compensation regulations are found in Section 457(b) of the Internal Revenue Code.

In addition to pre-tax deferrals, Santa Cruz County's 457 plan also permits Roth deferrals, which are made on an after-tax basis. Roth deferrals can be withdrawn tax-free in retirement if the requirements for a "qualified distribution" are met. You can designate a portion (or all) of your contributions to the Roth option.

Santa Cruz County contracts with MissionSquare Retirement, an independent, non-profit organization which specializes in public sector retirements services. The County plan offers 27 different investment options, and a representative can help you decide where you would like to invest your funds.

### **What are the benefits of participating in a 457 plan?**

- Pre-tax contributions reduce your taxable income for the year.
- Contributions are made by payroll deductions every pay period.
- You can contribute as little as \$10 per pay period.
- You can make additional "catch-up" contributions if you are 50 (or older) or within three years of your normal retirement age and already contributing the maximum to your plan.
- If you change jobs, you have the flexibility to move your account into your new employer's retirement plan.
- If you retire or leave service early, there is no penalty for withdrawals.
- You may increase, decrease, stop or restart contributions as often as you need without fees or penalties.

- You may choose from a wide range of investment options. There are no restrictions or charges for reallocating your investment mix, and all funds offered through MissionSquare Retirement are no-load.
- You may also contribute with after-tax dollars (Roth).
- Your designated beneficiaries are entitled to receive all remaining funds in your account in the event of your death.
- You may model a loan from your account.
- You may request an “Unforeseeable Emergency Withdrawal” as determined by MissionSquare Retirement under the Internal Revenue Code Provisions.
- Upon employment separation, you have the most flexible withdrawal payment options available. You determine the payment schedule that is right for you.
- You control your account even while you are withdrawing assets.

## How much can I defer?

The contribution limits are determined by the Internal Revenue Services (IRS) each year.

The **2026** limits for the 457 Traditional (pre-tax)/Roth Plan (after-tax) are:

Category	Annual Maximum	Amount per Pay Period (26 pay periods)	Documentation Requirements
Normal Limit	\$24,500	\$942.31	Enrollment Form (if new enrollee) Deferred Compensation Deduction Form
Age 50 Catch-up *See Roth Mandate	\$32,500	\$1,250.00	Enrollment Form (if new enrollee) Deferred Compensation Deduction Form
Pre-Retirement 3-Year Catch-Up	\$49,000	\$1,884.62	Please contact Human Resources to coordinate a Pre-Retirement/3-year Catch-Up 454-2600.

## What are Catch-Up Provisions?

The two “Catch-Up” provisions allow you to contribute over-and-above the normal annual contribution amount.

1. The "Age 50" catch-up provision allows you to contribute an additional annual amount during the calendar year in which you reach age 50 or older. No enrollment necessary.
2. Starting in 2026, if you earned over \$150,000 in the prior year, your age 50+ catch up contributions to your employer-sponsored retirement plan must be Roth contributions, which are after-tax dollars.
3. The "Pre-Retirement" or "3-year" catch-up provision allows you to make additional contributions to make-up for years in which you did not contribute the maximum normal limits. **Enrollment is required.**

## How do I sign up?

Online Enrollment is quick and easy! Here is how:

1. Visit [www.missionsq.org/santacruzca](http://www.missionsq.org/santacruzca)
2. Click on "Enroll in Your Plan", top right corner
3. Follow the steps and soon you will be saving for retirement!

## Where can I get deferred compensation forms?

- Visit [www.santacruzcountyca.gov/benefits](http://www.santacruzcountyca.gov/benefits) under 125 Pre-Tax Programs.
- E-mail [DeferredCompensation@santacruzcountyca.gov](mailto:DeferredCompensation@santacruzcountyca.gov) for any forms or inquiries.
- Visit the Human Resources Department at 701 Ocean St., room 510 in Santa Cruz.

## Where may I access my on-line account or get more information?

**Website:** [www.missionsq.org/santacruzca](http://www.missionsq.org/santacruzca)

**Phone:** Call MissionSquare Retirement Client Services at 1-800-669-7400. Representatives are available from 5:30 a.m. PT to 6:00 p.m. PT.

**E-mail:** Email **Ray Ortiz**, our local MissionSquare Retirement Plan Specialist, at [rortiz@missionsq.org](mailto:rortiz@missionsq.org)

**Mobile** Access your retirement account with convenience and flexibility using MissionSquare Retirement's mobile app.

**Individual Appointments:** To schedule an individual appointment with **Ray Ortiz**, please visit the website and click on "*Schedule an appointment*" next to Ray's profile picture. You may also call Human Resources at 831-454-2600 to schedule your appointment.