Deferred Compensation Program

As a regular employee of Solano County, you have the opportunity to participate in the Solano County Deferred Compensation Program. This program is provided pursuant to Internal Revenue Code Section 457(b) and allows you to defer income from you paycheck to help supplement your future retirement income. The amount you defer is not subject to federal and state taxes, thus reducing your taxable income. Taxes are paid on the savings and earnings when withdrawn, usually during retirement when you are presumably in a lower tax bracket.

Currently, the Solano County Deferred Compensation Program offers a choice of two administrators—ICMA Retirement Corporation and Nationwide. Each administrator offers a wide selection of investment options ranging from savings accounts to growth stock mutual funds. Whichever administrator you choose or in combination, you may defer up to the annual maximum per calendar year. **Solano County will match up to a maximum of $5.00 per pay period to one provider for actively enrolled participants under the deferred compensation program.** You may contribute as little as $10 from each pay check or you have the flexibility to increase, decrease, stop, and restart contributions as often as you wish. Employees may also contribute to more than one provider per pay period.

Unlike regular savings programs, withdrawal of funds from the Solano County Deferred Program are permitted if you leave County employment (including retirement, termination, or death) or experience an unforeseeable financial hardship as strictly defined by the Internal Revenue Code Section 457(b) guidelines.

If a comfortable retirement income is important to you, then the tax advantages of the County's deferred compensation program deserves your careful consideration. Money in a tax deferred retirement account grows faster than in a regular savings account. For example, assume that you have $1,000 per year to set aside and you are in a 28% tax bracket. Without making contributions to a deferred compensation program, you would have to pay taxes of $280 (28% of $1,000). You would also have to pay taxes on the interest income earned each year. However, with contributing to a deferred compensation program, the amount that you save would be excluded from taxes, leaving the full $1,000 for investment. In addition, taxes on interest income earned are deferred until withdrawn. The following example illustrates the advantage of saving with before-tax dollars.

Regular Savings Account (after tax)		Deferred Compensation Account (before tax)
$1,000		$1,000
- 280	Taxes at 28%	- 0
$ 720	Amount left For investment	$1,000

To enroll in the Solano County Deferred Compensation Program, to request additional information or to make an appointment with one of the company representatives, contact Employee Benefits.