

The Roth 457 option:

Is it right for you?



Your City of Mountain View 457(b) Plan accepts Roth 457 contributions, giving you the flexibility to designate all or a portion of your 457 elective deferrals as Roth 457 contributions.

Roth 457 after-tax contributions and pretax 457 contributions each has advantages. You should thoroughly review the following information and consider consulting a financial advisor prior to electing your contribution dollar amounts.

How are Roth 457 contributions different from pretax 457 contributions?

Roth 457 contributions are made with after-tax dollars. Pretax 457 contributions are made on a before-tax basis, and you pay taxes only when you take a distribution.

You can choose different fund allocations within your pretax and Roth 457 accounts from your City of Mountain View Deferred Compensation Plan fund lineup.

Do I pay taxes when I take a distribution from my Roth 457 account?

Your distribution is income tax-free: If you are eligible for a distribution from your plan, you withdraw your Roth 457 contributions and any investment gains after holding the account for at least five tax years, and:

- You are at least age 59½; or
- You become disabled; or
- You die (in which case, your beneficiaries will take a withdrawal).

If a distribution is made from your Roth 457 account before you reach age 59½ and it is not due to death or disability, or reaching the five-tax-year holding period, you will pay income taxes on any earnings that are distributed. Otherwise, there is no income tax due on any Roth 457 investment gains distributed from the plan because contributions are made with after-tax dollars.

Do I pay taxes when I take a distribution from my pretax 457 account?

Withdrawals of contributions and any earnings from your pretax 457 account are subject to income taxes.¹

Are there any limitations on a participant's income as it relates to their eligibility to participate in the Roth 457?

There are no income limitations on participants as it relates to their eligibility to make Roth 457 contributions to the City of Mountain View Deferred Compensation Plan. However, annual IRS contribution limits do apply.

How much can I contribute?

The maximum combined contribution limit in 2025 is \$23,500. If you are age 50 or older, you can make additional catch-up contributions up to \$7,500. In the years you turn ages 60, 61, 62 and 63 you may contribute an additional \$11,250, for a total of \$34,750. This is known as the age 60-63 super catch-up. If you are within three calendar years of reaching normal retirement age under the plan, you may be able to contribute up to \$47,000 in 2025 (these contributions are called three-year special catch-up contributions). The amount you are allowed to contribute is based on amounts you were eligible to contribute to the 457 plan in previous years but did not. The age 50+ catch-up, the age 60-63 super catch-up and three-year special catch-up provisions may not be used in the same year.

How does the Roth 457 differ from a Roth IRA?

- Contribution limits – Roth IRA contributions are limited to \$7,000 in 2025 (or \$7,500 if you are age 50 or older) versus \$23,500 for the Roth 457 (or \$31,500 if you are age 50 or older). So you can contribute more on an after-tax basis to your Roth 457 than to a Roth IRA.
- Eligibility – If you're single and earn more than \$165,000 per year or are married with a joint income of more than \$246,000 in 2025, you aren't eligible to contribute to a Roth IRA in 2025. However, if you meet your plan's eligibility requirements, you can participate in the Roth 457 plan regardless of your income.

Can I roll over my account if I change employers?

If you leave your current employer, you still have the option of rolling over your Roth 457 account to a Roth IRA or to a 457, 401(k), or 403(b) plan that has a designated Roth account and accepts Roth rollovers.² You can roll over your traditional 457 account to any eligible traditional IRA, Roth IRA, governmental 457 plan, 403(b) plan, or qualified 401(k) plan that accepts rollovers. You can also keep your 457(b) plan with Empower even after separation of employment or retirement and roll outside accounts into your Empower account.

How do I choose the Roth 457 option?

To begin the Roth 457 enrollment process and set up paycheck contributions, visit empowermyretirement.com.

FAQ

	Pretax 457	After-tax Roth 457
Is my contribution taxable in the year I make it?	No	Yes
Is my contribution taxed when distributed?	Yes	No
Are the investment gains, if applicable, on my contributions taxed when distributed?	Yes	No, provided the distribution occurs after you have reached age 59½, or upon disability or death, AND no earlier than five tax years after your first Roth 457 contribution.
If I change jobs, can I roll over my account?	Yes, to a qualified 401(k) plan, traditional IRA, Roth IRA, 403(b) plan, or governmental 457(b) plan if the plan allows it.	Yes, to a Roth IRA or governmental 457(b) plan, 401(k) plan, or 403(b) plan if the plan has a designated Roth account and accepts rollovers. ²
	Consider all your options, including taxes, fees, and expenses, before moving money between accounts. Assess all benefits of current accounts before moving money.	
What is the maximum amount I can contribute?	Set each year by the IRS, the combined limit for contributions in 2025 is: \$23,500; or \$31,000, including the additional \$7,500 age 50+ catch-up contribution; \$34,750 including the additional \$11,250 age 60-63 super catch-up or up to \$47,000 if you are eligible for three-year special catch-up contributions. The age 50+ catch-up, the age 60-63 super catch-up and three-year catch-up provisions may not be used in the same year.	
If I experience an unforeseeable emergency, can I make a withdrawal?	Yes	Yes
Do I have to take a minimum distribution at age 73? As of January 1, 2023, the IRS generally requires you to start taking required minimum distributions (RMDs) at age 73.	Yes	Yes

Making the best choice for you

You will have to determine whether contributing to your plan on an after-tax Roth 457 basis or a pretax basis makes more sense for your situation. The Roth 457 option essentially locks in today's tax rates on all contributions. For some people — especially those who expect to be in a higher tax bracket when they retire — the Roth 457 option may make the most sense. The Roth 457 option allows you to pay taxes on your contributions when they are contributed (presumably at a lower tax rate than you would expect to pay at retirement).

If you expect to be in a lower tax bracket when you retire, you might want to consider contributing to your 457 on a before-tax basis. You won't pay taxes on your contributions or any earnings on your contributions until you take a distribution, which is usually during retirement (when many people expect their retirement earnings and tax burden to be lower than they are today).

In-plan Roth conversion

The plan will offer an in-plan Roth conversion option. If converting pretax dollars to Roth within your plan account makes sense, you may want to consider this new opportunity.

What is an in-plan Roth conversion?

An in-plan Roth conversion allows you to convert eligible pretax 457(b) dollars in your account into post-tax dollars in a 457 Roth account, with the converted money staying in the City of Mountain View Deferred Compensation 457(b) Plan. Plus, provided you meet certain conditions (outlined on page 2), you will not have to pay federal taxes on the 457 Roth funds when you withdraw the money at a later time.

The amount you convert from pretax to post-tax will be taxable in the year of the conversion. It is added to your gross income for that tax year. It increases your income, and you pay your ordinary tax rate on the conversion. For example, say you're in the 22% tax bracket and convert \$20,000; your taxable income for the tax year will increase by \$20,000, which may increase your tax bracket for the year.

To estimate how much more or less you may owe in taxes by converting some or all of your account to a Roth, visit empower.com/learning_center/calculators.



The bottom line: Participate

Regardless of which type of contributions you choose, the important thing is to contribute as much as you can today for your retirement tomorrow. If you decide that Roth 457 contributions are right for you, you can make the appropriate changes to your account — visit empowermyretirement.com.



- ▶ If you'd like to receive more information about Roth 457 or Roth conversions, please set up time with your local retirement plan advisor, Daniel Robinson, by visiting mountain-view.empowermytime.com. You can also contact the City of Mountain View Deferred Compensation Plan Service Center at **855-756-4738** or visit empowermyretirement.com.

1 Withdrawals may be subject to ordinary income tax. The 10% federal early withdrawal penalty does not apply to 457 plan withdrawals except for withdrawals attributable to rollovers from another type of plan or account.

2 Governmental 457 dollars rolled over to another type of plan or account may be subject to the 10% federal early withdrawal penalty upon distribution from the non-457 account prior to the investor reaching age 59½.

Investing involves risk, including possible loss of principal.

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