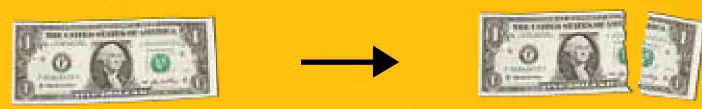
Two choices for how to save in your City of Los Angeles Deferred Compensation Plan

Now serving:
Two styles of eggs benefits

For many years your City of Los Angeles Deferred Compensation Plan retirement show has had just one star to help you build your retirement nest egg: we've named her Doris Deferred.

Doris allows you to place pre-tax dollars into the Plan and pay taxes when you withdraw.

Doris Deferred

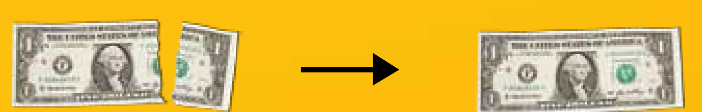


Pre-tax dollar goes into plan → **Taxes paid when withdrawn**

Then, beginning July 1, 2011, along came a new co-star permitted by Federal law: Roth 457, who we've named Roth Hudson.

Roth Hudson allows you to place after-tax dollars into the Plan and pay no taxes, on qualified distributions, when you withdraw.

Roth Hudson



After-tax dollar goes into plan → **No tax paid when withdrawn**

Roth doesn't replace Doris, and Roth isn't a new Plan. We still have one Plan, and everything about it otherwise remains the same.

What's changed is that you now have two options for how to save. Think of the differences as different "recipes" for preparing your retirement nest egg, as described on the following page.

Two recipes for success

Doris Deferred's
"Contributions Sunny Side Up"

Ingredients:
– Pre-tax salary deferral
– Taxable distribution

Directions:
1. Place pre-tax salary deferral into your account.
2. Bake account while employed by the City.
3. Remove from account at any time following separation from service, paying tax on amount removed.

* Best served with side of additional retirement income.

Roth Hudson's
"Distributions Over Easy"

Ingredients:
– After-tax salary deferral
– Non-taxable distribution

Directions:
1. Place after-tax dollars into your account.
2. Bake account while employed by the City.
3. Remove from account following separation from service, paying no tax if held for at least five years and not withdrawn until age 59½.

* Best served with side of additional retirement income.

Do both recipes sound appealing? No problem, you can mix-and-match your contributions. For example, you could put $1,000 after-tax dollars into the Plan and $1,000 pre-tax dollars, for a total contribution of $2,000. Your total contributions, however, cannot exceed annual contribution limits.

Unscrambling your choices

What's the best way to save? There's no one-egg-fits-all answer. Whether you choose to save with Doris (pre-tax) or Roth (after-tax) depends on **whether you want to postpone paying taxes until you take distribution, or pay taxes now so you won't have to pay them later.**

Different rules

Different rules	(Doris)	
How are my contributions made?	Pre-tax	After-tax
Are my distributions taxable?	Yes	No, for qualified distributions

Same rules

Same rules	(Both)
Are contribution limits identical?	Yes, but must be coordinated – total contributions of both savings types cannot exceed annual limit*
Can I take a loan from my account?	Yes
Am I eligible to apply for hardship withdrawal?	Yes
If I change jobs, can I roll over the funds?	Yes
Once I separate service, can I take distributions without a tax penalty?	Yes

* Current annual contribution limits are $16,500 for those below age 50; $22,000 for those age 50 or above; and up to $33,000 for those enrolled in "catch-up."

Two key tax considerations you may wish to consider:

1. **Impact on Take-Home Pay –** Your take-home pay will be reduced more by contributing Roth dollars than by contributing pre-tax dollars. Keep this in mind as you consider your Plan contributions relative to what you need to live on.

2. **Anticipated Retirement Income/Future Tax Rates –** If you anticipate more taxable income and higher tax rates in retirement, saving Roth dollars might make more sense. If you expect less taxable income and lower tax rates in retirement, saving pre-tax dollars might make more sense.

You may wish to consult with a tax professional to help develop a strategy that works best for you. You should also understand how the two savings options differ, and what they have in common.

Eggstra information

Q I have an account with the Plan. Is there any action I'm required to take, or can I just leave things the same?

A The introduction of Roth 457 does not require you to take any action. If you do nothing any current contribution you are making will continue pre-tax.

Q Does the new Roth option affect my current balance in the Plan?

A No. Any pre-tax balance in your account will remain as such, and will be subject to being taxed upon withdrawal.

Q What happens if I make a future change to my contribution amount?

A In the future, each time you change your contribution amount, you will need to specify whether you want your contribution to be pre-tax, post-tax, or some combination.

Q How much can I contribute to my Roth account and how much can I contribute to my pre-tax account?

A In 2011, your total Plan contributions can total $16,500 if you are below age 50; $22,000 if you are age 50 or older; and $33,000 if you are enrolled in special "Catch-Up" provisions. Your combined pre-tax and Roth contributions may not exceed the annual limit which applies to you.

Q What if I've already contributed $10,000 pre-tax into the Plan in 2011 and want to convert that to Roth? Is this possible?

A No. Whatever pre-tax amounts you've contributed in 2011 must remain pre-tax. However, in this example, if you've already contributed $10,000 and your annual limit is $16,500, you would be eligible to contribute up to $6,500 into Roth in 2011.

Q When am I eligible to begin making Roth contributions?

A You can make an election for a Roth contribution beginning July 1, 2011.

Q If I decide to make Roth contributions, will I have to make decisions about where to invest them?

A You will not need to make special investment decisions related to Roth. Your investment designations are made separately and are applied to all your contributions, whether they are pre-tax or post-tax.

Q Is my age a factor in evaluating whether it makes more sense to contribute pre-tax vs. post-tax?

A Age by itself is not necessarily a factor; rather, the key considerations are the impact on your take-home pay and what you expect to be your taxable income and future tax rates in retirement. You should consult a tax professional for further guidance on this question.

Q Is making a Roth contribution to the City's Plan the same as contributing to a Roth IRA?

A No. Although certain features are the same (for example, contributing after-tax dollars and not paying tax on qualified distributions), many of the rules differ.

Q Does it make more sense to make a Roth contribution to the City's Plan or to a Roth IRA?

A You should consult with a financial advisor or tax professional to make this assessment.

Q I'm a retired Plan participant. Can I make a Roth contribution to my account?

A No. Retired Plan participants cannot make new contributions to their accounts, whether pre-tax or Roth.

Q I have a Roth Individual Retirement Account (IRA) that I'd like to roll into the City's Plan. Can I do this?

A No. However, if you have a Roth 457 or Roth 401(k) account, you can roll them into the City's Plan.

Q Can I convert an existing pre-tax balance in my account to Roth?

A Not currently. A conversion feature may be available in the future, but additional Federal regulatory guidance is needed before the City's Plan can implement it.

Q When I separate from service and begin taking distribution from my account, can I specify the timing of when I take my Roth money vs. my pre-tax money?

A Yes. Otherwise, if you make no election, distributions will be pro-rated across both your pre-tax and post-tax holdings.

Q I understand that I won't be paying tax on distributions from my Roth account. Does that include Roth interest earnings?

A Yes, as long as it is a qualified distribution.

Q I've decided to make Roth contributions. How do I make the change?

A You can make the change by calling our toll-free line at (888) 457-9460 or accessing your account online at www.cityofla457.com.

Q What is a qualified Roth distribution?

A
- A distribution that is made after a 5 taxable year period
- Made on or after the date the employee attains age 59½
- Made after the employee's death
- Made attributable to the employee being disabled

Contact information

Have questions? Need help? Contact us at:

Toll-Free Line	**(888) 457-9460**
Website	**www.cityofla457.com**
Local Counselors	**Employee Benefits Division 200 N. Spring Street Room 867 Los Angeles, CA 90014 M-F from 8:00-4:00**