Discover Your Retirement Potential

SAN FRANCISCO Deferred Compensation Plan

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1 Access to KeyTalk and the Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/ maintenance or other reasons.

2 Representatives of GWFS Equities, Inc. are not registered investment advisers, and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax adviser as needed.

FINISH STRONG

Catch-up contributions can help you sprint toward retirement

If you're age 50 or older, you're probably planning how you'll spend your time when you stop working. Whether you plan to travel the world, move to a new city or spend time with family closer to home, you're likely to rely on your savings for several decades.

Fortunately, you're now eligible to make Age 50+ Catch-Up contributions to your San Francisco Deferred Compensation Plan (SFDCP) account. This means you can contribute an additional $5,500 in 2009.

You may also be eligible to make Standard Catch-Up contributions. Standard Catch-Up helps you make maximum use of the SFDCP by allowing you to catch up on the deferrals that you were eligible to make but did not earlier in your employment. If you are within three years of attaining your designated normal retirement age and are younger than age 70½, you are allowed to catch up on contributions that could have been made, but were not. Participants using the Standard Catch-Up provision in 2009 may be able to contribute up to $33,000.

Catch-up contributions can have a dramatic impact on your savings, especially if you take advantage of them as soon as you become eligible. Participants may not contribute to both the Age 50+ Catch-Up and Standard Catch-Up in the same year. Please call the SFDCP Service Center today at (877) 457-9321 for more information.

The following are the 2009 contribution limits for the SFDCP.

- You may contribute $16,500 to the SFDCP if you are under age 50.
- You may contribute $22,000 to the SFDCP if you are age 50 or older.
- You may be able to utilize Standard 457 Catch-Up to contribute up to twice the regular dollar limit to the SFDCP—$33,000.

SFDCP Forms Available Online

SFDCP forms, including the Salary Deferral Agreement and Application for Catch-Up, are available at www.sfdcp.org. Just click on the Forms tab at the top of the page and select the form that you need.[1]

GREAT-WEST REPRESENTATIVES ARE HERE FOR YOU

Local Great-West Retirement Services® (Great-West) representatives are available to assist you with your SFDCP account. Are you nearing retirement or leaving employment and not sure what to do with your SFDCP account? Call a Great-West representative at (877) 457-9321 to learn about your options. Concerned about investing in a volatile market environment? Call a Great-West representative at (877) 457-9321 for information about risk management tools and long-term investing.[2] As the new provider of recordkeeping, communication and investment education services for the SFDCP, Great-West has representatives here at the SFDCP Service Center to help you.

Contact the SFDCP Service Center

One Front Street
Suite 810
San Francisco, CA 94111
Phone: (877) 457-9321
Office Hours: 8:00 a.m. to 5:00 p.m.
Monday through Friday

The SFDCP Stable Value Fund Portfolio[3] annualized crediting rate is set at 3.25% for the period of July 1, 2009, through September 30, 2009.

3 The fund manager of the SFDCP Stable Value Portfolio does reserve the right to limit transfers without prior participant notice following consultation with the City and County of San Francisco Employees' Retirement System should such action be in the best long-term interest of the fund.

DISTRIBUTIONS AND TAX WITHHOLDING

When taking money out of your SFDCP account, remember that distributions are considered regular taxable income by the Internal Revenue Code. If the distribution you elect is eligible for rollover to another eligible retirement plan and you do not elect to roll it over, regulations require that federal income tax be withheld at a rate of 20% of the gross taxable amount you request. Distributions that are not eligible for rollover treatment include required minimum distributions and certain death payments.

Your state of permanent residence may or may not require mandatory withholding. Great-West will withhold state income taxes according to the state of your primary residence. You may elect to have more state or federal income tax withheld. Depending upon your personal circumstances, you may or may not owe additional income tax on your distribution(s) when you file your tax returns.

Special note for participants electing a periodic payment of a period certain of 10 years or more: Your payments are not considered to be eligible rollover distributions. Therefore, you can submit an IRS Form W-4P, "Withholding Certificate for Pension or Annuity Payments," to elect withholding that is appropriate for your tax situation. If a W-4P is not submitted with your request, Great-West will default your federal income tax withholding to a status of married with three allowances. You may obtain a W-4P by calling the IRS at (800) 829-1040 or by visiting www.irs.gov.

Tax Forms

You will be mailed a Form 1099-R by January 31 of the year following any year in which you receive a distribution. If you do not receive a Form 1099-R by February 15 after a year in which you received a distribution, please call KeyTalk® at (888) SFDCP4U to request a duplicate.

MAKE THE MOST OF YOUR SFDCP

More than one in three Americans age 45 or older stopped contributing to their retirement account in 2008.[4] However, the SFDCP offers strong reasons to save:

- By regularly investing the same amount at set intervals, you benefit from a feature called dollar cost averaging (DCA). With DCA, you buy more shares when prices are low and fewer when they're high.[5] While DCA won't protect your investments from incurring losses, it does offer a chance to capture prices at their most advantageous levels.
- Each contribution is taken from your paycheck before it has been taxed, thus reducing your taxable income. Plus, your investments grow tax deferred until you begin taking withdrawals.

In 2009, you can contribute up to $16,500 to your SFDCP account—which may be more than you can afford this year. Save more gradually by increasing your contributions by 1% each year.

4 Source: "A Year-End Look at the Economic Slowdown's Impact on Middle-Aged and Older Americans," AARP, January 2009

5 Dollar cost averaging does not ensure a profit and does not protect against loss in declining markets. Investors should consider their financial ability to continue a dollar cost averaging plan during periods of fluctuating price levels.

UNDERSTAND THE IMPACT OF YOUR DECISION

The most important decision to consider is whether to leave your money in a tax-deferred account until retirement or take it out and pay the income taxes now. The table below provides you with the pros and cons of leaving your money in the SFDCP, rolling it over to another plan or taking a distribution.

OPTION	TAX CONSEQUENCE	PROS	CONS
Leave your money in the SFDCP	None until distributed from the Plan.	• Money is tax-deferred. • You can access your account balance at any time. • The SFDCP offers a diverse selection of low-cost investment options.	• Investment options are limited to those offered by the Plan. • A 20% federal income tax withholding applies when taking a distribution that would be eligible for rollover.
Direct rollover to your new employer's plan or an IRA	None until distributed from the new plan or IRA.	• Money is tax-deferred. • Plan or IRA may offer a diverse selection of investment options. • In an IRA and most plans, you control access to your savings.	• An additional 10% early withdrawal penalty may apply if rolled into a 401(k), 403(b) or 401(a) employer's plan or an IRA and if a distribution is then taken before age 59½.
Take a distribution	• A mandatory 20% federal withholding tax applies directly to distributions taken that could be eligible for rollover.[6] • Distributions are taxed as ordinary income in the year received unless rolled into a new employer's plan or an IRA within 60 days of the distribution.[7]	• Money less taxes will be available immediately. • You can still elect to roll over into a new employer's plan or an IRA within 60 days.[7]	• Savings are no longer tax-deferred. A mandatory 20% federal withholding tax applies to distributions taken that are eligible for rollover.[6]

6 Withdrawals are subject to ordinary income tax.
7 If you elect to roll over within 60 days, you will be responsible for replacing the 20% withholding.

Please contact the SFDCP Service Center at (877) 457-9321 if you wish to discuss your rollover options. You should carefully evaluate the features of the receiving plan as there may be higher fees and/or lower quality investment choices in the new plan.

READY TO RETIRE?

The SFDCP and You: How to Keep a Good Thing Going

Retirement: It's the culmination of a lifetime of planning, preparation and saving. It's also the time to decide how you'll want to dip into the funds you've accumulated in your SFDCP account.

Here's one of the best-kept secrets about retirement planning: The same resource that helped you build your retirement nest egg can help you make the best use of that money in retirement. By keeping your account in the SFDCP, you'll have access to the same low-cost investment options and account management tools you've always used. So if you plan to keep at least a portion of your retirement funds invested, continuing to work with the SFDCP is a good option.

You can leave your money invested in the SFDCP until you are 70½ years old. However, you must begin receiving a required minimum distribution by April 1 of the year following the year in which you reach age 70½ or sever employment, whichever occurs later. (For 2009, this requirement has been waived. See *Suspension of Required Minimum Distributions for 2009* to the right.)

For more information on your withdrawal options call the SFDCP Service Center at (877) 457-9321.

SUSPENSION OF REQUIRED MINIMUM DISTRIBUTIONS FOR 2009

Investors age 70½ or older will not have to take a required minimum distribution (RMD) from their tax-deferred retirement accounts in 2009 thanks to the Worker, Retiree, and Employer Recovery Act of 2008 (H.R. 7327). This Act, passed by both the U.S. House and Senate, includes a relief measure that waives the RMD to help retirees whose accounts have already been reduced by last year's stock market downturn.

However, RMDs required for 2008 still should have been taken by April 1, 2009. Call the SFDCP Service Center at (877) 457-9321 for more information. For questions regarding your specific situation or for help with calculating your RMD, please consult your financial advisor or tax professional.

Core securities (except the self-directed brokerage account), when offered, are offered through GWFS Equities, Inc., a wholly owned subsidiary of Great-West Life & Annuity Insurance Company.

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