



Your DROP Options and Rollover Information

CITY OF LOS ANGELES DEFERRED COMPENSATION PLAN

Checklist for Rolling DROP Money into the Deferred Compensation Plan

☐ Contact Fire/Police Pensions (“Pensions”)

- Notify Pensions of your intent to exit DROP and roll over your DROP funds.
- Complete the Rollover Information Form (enclosed in this packet with preprinted information).

☐ Contact Great-West Retirement Services® (Great-West), the service provider for the City’s Deferred Compensation Plan

- Complete the Incoming Transfer/Direct Rollover Form (enclosed in this packet with preprinted information).

☐ Mail or bring to the Deferred Compensation Plan local service center the Pensions Rollover Information Form and Deferred Compensation Incoming Transfer/Direct Rollover Form for authorized signatures from Deferred Compensation.

- Return the signed Rollover Information Form to Pensions or request that a Deferred Compensation representative do it for you.

Frequently Asked Questions

I am currently in DROP and plan on retiring in the near future. Upon retirement, can I roll DROP funds into the Deferred Compensation Plan?

Yes; you are able to roll DROP funds into the Deferred Compensation Plan (the Plan) as long as you are a participant in the Plan. If you are not a participant, you must first enroll before you initiate the rollover.

What are the benefits of rolling my DROP funds into the Plan?

By rolling DROP funds into the Plan, you will be able to take advantage of the Plan’s competitive investment options. You have the opportunity to consolidate your retirement funds so that you receive one benefit statement for both Plans from one service provider. In addition, the Plan offers a low administrative cost on rollover assets at \$25 annually. We do encourage you, however, to explore other options to identify the retirement vehicle you believe is most appropriate for your needs.



How do I roll in funds?

You must complete two forms to transfer funds: the Rollover Information Form for Pensions and the Incoming Transfer/Direct Rollover Form for the Plan. These forms are enclosed in this packet. Once you have completed both forms, return them to the Plan. The Plan will sign the forms and send the Rollover Information Form to Pensions and the Incoming Transfer/Direct Rollover Form to Great-West.

The steps are as follows:

Step 1 – Participant obtains and completes the Pensions Rollover Information Form and the Plan's Incoming Transfer/Direct Rollover Form.

Step 2 – Participant sends both forms to the Plan.

Step 3 – The Plan approves the DROP Rollover Information Form and the Plan's Incoming Transfer/Direct Rollover Form, and returns the DROP Rollover Information Form to Pensions. Pensions processes the rollover and sends the funds within 60 days after retirement.

What happens to the money once it is rolled into the Plan?

The funds will be invested according to the investment instructions you provide on the Incoming Transfer/Direct Rollover Form. The Plan is required by the Internal Revenue Service (IRS) to separately account for the tax-deferred funds rolled into the Plan to accurately complete the tax-reporting form upon distribution of these rollover assets from the Plan. Your quarterly Plan statement will show your total balance, as well as a breakdown of funds held in your contribution account and those held in your rollover account.

Can I take DROP money out of my rollover account once it is rolled into the Plan?

Yes. The Plan allows participants to take distributions from their rollover account at any time, subject to any applicable under-age penalty tax¹. Distributions from the contributions account cannot be taken prior to severance of employment.

You can now take a distribution between the ages of 55 and 59½. Great-West will not apply the under-age 59½ special excise tax penalty. The penalty will still apply if DROP monies are withdrawn prior to the ages above.

How can I take distributions from my account?

Complete the Plan's Distribution/Direct Rollover Form. Indicate on the form whether you want your distribution to be processed from your contributions account or your rollover account. If you are severed from service and do not make an election on the form, your distribution/rollover will be processed from your contributions account.

What are my distribution options?

A broad range of options is available to you. You may elect to take a full distribution, a partial lump-sum distribution, or periodic payments. Please refer to the Plan's Distribution Options Guide for more details. These distribution options are available for all your funds.

¹ Under-age penalty tax refers to a 10% additional tax imposed on the withdrawals from retirement accounts prior to age 59½.

Is there an under-age tax penalty that may apply to DROP funds?

If you want to take a distribution of your DROP funds prior to age 59½, it is recommended that you consult with a tax professional regarding the potential tax consequences before doing so. The IRS may assess an under-age tax penalty for DROP fund distributions taken before age 59½. Following is some general information about when this penalty may apply.²

If you are under age 59½ when you begin distribution:

- If you roll your DROP account into the Plan, the under-age penalty may apply when you take a distribution of DROP assets from the Plan unless the distribution falls under one of the exceptions listed in the "Penalty Exceptions" section. This rule applies regardless of whether you roll your funds into the Plan or if you roll them into an IRA or another tax-qualified plan.
- The under-age tax penalty will not apply if you retire during the year in which you reach age 55 or older; receive a distribution from DROP; or take a distribution between the ages of 55 and 59½.
- The under-age tax penalty will not apply if you take a taxable distribution from your DROP account directly from Pensions.
- The under-age penalty does not and never has applied if you take a taxable distribution of non-DROP assets from your Plan account.

If you are age 59½ or older when you begin distribution of your DROP funds:

- The under-age tax penalty will not apply regardless of whether you take a distribution from your DROP account, an IRA after rolling your DROP funds to that IRA, or a retirement plan such as the City's Plan after rolling your DROP funds to that retirement plan.

If you are a qualified public safety officer and sever service prior to the calendar year you attain age 50:

- The under-age penalty tax will apply to your DROP funds whether distributed from the DROP account or a rollover account unless the distribution falls under one of the exceptions listed under the "Penalty Exceptions" section.

Penalty Exceptions

The IRS under-age penalty may be avoided in the following situations:

- You receive distributions as part of a series of substantially equal periodic payments made at least annually for your life (or life expectancy) or the joint lives (or joint life expectancies) of you and your designated beneficiary.
- You take a distribution as a result of having become permanently disabled.
- The distributions are taken by your beneficiaries.
- The distributions come from a qualified retirement plan (not an IRA) to an alternate payee, such as an ex-spouse under a qualified domestic relations order.
- The distributions come from a qualified retirement plan to the extent you have deductible medical expenses (i.e., medical expenses that exceed 7.5% of your adjusted gross income), whether or not you itemize your deductions for the year.
- The distributions come from a qualified retirement plan due to an IRS levy of the plan.

Please note that if you roll money into the Plan, you may still receive distributions from your Plan's 457 contribution account without penalty. DROP funds are placed in a separate account.

² Great-West's application or non-application of the penalty is not the final determinant of any participant's actual tax liability, and neither Great-West nor any other Plan representative can provide tax advice. Participants are encouraged to consult with a tax and/or financial planning professional to ensure they are paying tax in accordance with IRS requirements as applicable to their unique circumstances.



Contact Information

Great-West Retirement Services®

Questions regarding this process

(213) 978-1601 (Local Service Center)

Local Service Center, City Hall

200 N. Spring Street, Room 867

Los Angeles, CA 90012

Hours: 8:00 a.m. to 4:00 p.m. (non-holidays)

To make changes to your Deferred Compensation Plan account

(888) 457-9460³

www.cityofla457.com³

Fire/Police Pensions

DROP

(213) 978-4568

Active

(213) 978-4522

Employee Benefits/Deferred Compensation Plan City of LA

(213) 978-1617

³ 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.

Core Securities (except Schwab PCRA), when offered, are offered through GWFS Equities, Inc., a wholly owned subsidiary of Great-West Life & Annuity Insurance Company.

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