



Your Distribution Options

Important Note:

Although every effort is made to keep the information in this booklet current, it is subject to change without notice. Federal, state and local tax laws are continually revised and updated, and new SFDCP provisions may be adopted at any time.

Reminder:

Please remember to inform your department payroll officer of any address changes as soon as possible.

Upon severance of employment, the money you have accumulated through your San Francisco Deferred Compensation Plan (SFDCP) account becomes available to you. You have many choices as to how you can receive this money. Only you can make this decision after careful consideration of several factors, including your age, financial needs and other sources of income.

Please study each of your distribution options carefully in order to choose the one that best fits your financial needs. If you need further clarification, call **(888) SFDCP4U** (888-733-2748) to speak with a registered representative.¹ While our registered representatives are able to explain the options to you, they are not able to tell you which payout and tax withholding method is best for you. We strongly urge you to consult with an accountant, financial planner or tax adviser before making your decision.

Once you've made your decision, please mail your completed distribution request form to the address listed on the form. For distributions due to severance from employment, receipt of a completed distribution request and confirmation of your date of severance of employment are required before your request for distribution can be processed.

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

What Are My Distribution Options?

Defer Distribution

Postpone My Distribution Until Later

If you choose to defer distributions, any earnings in your account will continue to accumulate tax-deferred, and you will continue to be able to transfer balances among the various investment options available in the SFDCP.

However, you must begin receiving a required minimum distribution (RMD) by April 1 of the year following the year in which you reach age 70½ or sever employment, whichever occurs later.

When you are ready to receive a distribution, you will be able to select from the payout options available through the SFDCP at that time.

Lump-Sum and Partial Payment Options

Full Lump-Sum Distribution

If you select a full lump-sum distribution, the full value of your account will be distributed.

Unless you elect a direct rollover of all or a portion of the distribution, the distribution will be paid to you. Any funds not directly rolled over will be fully taxable to you in the year the funds are distributed. Federal income tax is generally withheld at a rate of 20% of the gross amount and at a rate of 2% for California state income tax. See the Tax Withholding Rules section for further details on taxation.

Partial Distribution

You may elect to take a portion of your balance as a partial distribution. This option is fully taxable to you in the year the funds are distributed. Federal income tax is generally withheld at a rate of 20% of the gross amount and at a rate of 2% for California state income tax. See the Tax Withholding Rules section for further details on taxation.

Periodic Payment Options

Periodic Payment of an Amount Certain

A periodic payment of a certain amount means that you designate the dollar amount that you wish to receive on a regular installment basis (monthly, quarterly, semi-annually or annually). Payments to you will continue until your account balance is zero. The number of payments you receive will vary depending on the rate of return of your investments. After you reach your RMD beginning date, you must ensure that the periodic payment amount meets the minimum required by the Internal Revenue Service (IRS) and will deplete your account over a time period not to exceed your life expectancy.

Periodic Payment of a Period Certain

When you select a periodic payment option defined by a certain time period, you will receive payments on a regular basis depending upon the frequency you choose (monthly, quarterly, semi-annually or annually). Payment amounts will depend on the length of time you choose to receive payments, the frequency you choose and the rate of return of your investment options.

Your payment amount is calculated by dividing your current account balance by the number of remaining payments.

Keep in mind the following:

- Your payment is recalculated each time a payment is distributed. Therefore, your payment will not be the same amount each time.
- The payment amount will depend on the account value, which may fluctuate depending upon the performance of the investments that you have chosen.
- With this payment method, your balance will be zero by the end of the term you select.
- The payment term you select should not exceed your life expectancy as determined by the IRS.

If you currently receive a periodic payment and wish to change it, please complete a Distribution Request Form to indicate your new periodic payment schedule.

Each payment is calculated as follows:

$$\frac{\text{Current Account Balance}}{\text{Number of Remaining Payments}}$$

What Are My Distribution Options?

Rollovers

Rollovers to Other Employer-Sponsored Plans

When you become eligible to take a distribution (usually upon severance of employment), you may elect to roll over all or a portion of your balance to another eligible 401(a), 401(k), 403(b) or governmental 457(b) plan if your new employer's plan accepts such rollovers.

Rollovers to IRAs

When considering rollovers, you may also elect to roll over all or a portion of your balance to an Individual Retirement Account (IRA) with a financial institution of your choice.

When you roll over your funds to an IRA or 401(a), 401(k) or 403(b) plan and if you are under age 59½ and subsequently request a distribution from that plan, you may be subject to an additional 10% penalty tax, in addition to ordinary federal and state income taxes.

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.

In addition to the distribution options we just discussed, you can receive a distribution of your benefits under the following circumstances:

- Your funds may be withdrawn by an alternate payee under a qualified domestic relations order (divorce proceedings) once your account is divided in accordance with the court order.
- You may also be able to transfer funds from the 457 plan directly to your defined benefit plan for the purchase of service credit.
- If your account balance is \$5,000 or less, you have not made contributions under the plan for the last two years, and you have never received a distribution under this type of plan provision in the past, you may receive a distribution.
- In the case of an unforeseeable emergency, you may receive a distribution.
- You may receive an in-service distribution at age 70½.

For more details about these options, contact the SFDCP Service Center at (877) 457-9321.

Required Minimum Distribution (RMD) Rules

In order to comply with U.S. Treasury regulations, you must receive at least the minimum amount required by the IRS no later than your required beginning date (RBD). Your RBD is April 1 of the calendar year following the calendar year in which you reach age 70½ or sever employment, whichever is later. If you wait until April 1 of the calendar year following the calendar year in which you attain age 70½, you will also be required to take a second distribution for the current year by December 31 of the same calendar year.

Automated Minimum Distribution Option

The SFDCP offers an automated minimum distribution option that enables you to automatically meet RMD rules. If you would like your minimum distribution amount to be calculated automatically and distributed to you each year, obtain a copy of the Automated Minimum Distribution Request Form by contacting the local SFDCP Service Center at (877) 457-9321. Complete the form and mail it to the address listed on the form. You will automatically receive periodic payments, which are calculated by dividing your prior year's December 31 account balance by the life expectancy table figures contained in the applicable Treasury regulations, using your age in the year of distribution. You only have to complete this form once.

RMD Rules *(continued)*

The IRS may impose a 50% excise tax penalty on amounts that should have been distributed under the RMD rule but were not.

Great-West Retirement Services® does not assume any responsibility or liability for ensuring that minimum distribution amounts are elected in a timely manner.

You are solely responsible for ensuring that minimum distribution amounts are elected in a timely manner. In addition, you are solely responsible for calculating the proper amount of the minimum distribution you must take each year unless you elect the automated minimum distribution payment option. We strongly advise you to consult with a tax adviser.

Tax Withholding Rules²

Distributions are considered regular taxable income by the Internal Revenue Code. If the distribution you elect is an eligible rollover distribution and you do not elect to roll it over to another eligible retirement plan, 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 RMDs and certain death payments. Your state of permanent residence may or may not require mandatory withholding. Great-West Retirement Services 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 Retirement Services 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.

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.

Death Claims

Beneficiary

Your beneficiary is the person you specify to receive proceeds or benefits upon your death (if applicable to the payment option you choose). Your primary beneficiary is the person who will receive benefits or the remainder of the benefits in the percentage that you specify. If your primary beneficiary predeceases you, your contingent beneficiary(ies) will receive benefits or the remainder of the benefits in the percentage(s) that you specify. Your beneficiary(ies) should contact the SFDCP office at (877) 457-9321 to notify the SFDCP of a death and change in account ownership.

The following table illustrates the options available to your beneficiary upon your death. Your beneficiary has the same flexibility with distributions as you do.

May receive the balance in one of the following ways ³ :			
	Beneficiary is spouse only ⁴	Beneficiary is non-spouse ⁴	Beneficiary is non-individual (i.e., estate, trust, charity, etc.) ⁴
Defer Payment	Yes ⁵	No ⁶	No ⁷
Full Lump Sum	Yes ⁵	Yes ⁶	Yes ⁷
Partial Lump Sum	Yes ^{4,5}	Yes ⁶	Yes ⁷
Periodic Payments	Yes ^{4,5}	Yes ⁶	Yes ⁷
Roll Over to Another Plan	Yes ⁸	Yes ⁶	No

³ This table applies only if the participant dies prior to age 70½.

⁴ The IRS requires beneficiaries to take a minimum payment based on a period of no longer than the beneficiary's life expectancy. Rules may vary depending on the type of beneficiary. Please contact your registered representative for additional details.

⁵ Payment can be deferred until the participant would have attained age 70½ or until the end of the calendar year following his/her death, whichever is later.

⁶ In general, if the non-spouse beneficiary does not elect periodic payments commencing before the end of the calendar year following the calendar year of the participant's death based on a period no longer than the beneficiary's life expectancy, distribution is required within five years of the participant's date of death.

⁷ If the designated beneficiary is not an individual (i.e., estate, trust, etc.), distribution of the entire account generally must be made by the end of the calendar year which is five years after the participant's death.

⁸ Minimum distributions are not eligible for rollover.

Reminder: Please remember to inform the SFDCP office of any beneficiary changes as soon as possible. To change your beneficiary, log on to www.sfdcp.org and click on "Change Account," then "Change Beneficiary." You can also call (888) SFDCP4U, option 2, and speak with a registered representative to request a Beneficiary Designation Form.

Glossary of Terms

Eligible Rollover

Distribution/Direct Rollover

The following types of distributions are eligible for rollover:

- Partial distribution
- Lump-sum distribution
- A series of payments lasting less than 10 years

The following types of distributions are not eligible for rollover:

- Required minimum distribution payments made after age 70½
- A certain series of payments lasting 10 years or more
- Distributions correcting excess contributions (refunds)

A direct rollover allows you to directly roll over your SFDCP account balance to another employer's plan or IRA that accepts such rollovers. Eligible rollover distributions that are directly rolled over are not subject to federal income tax withholding or taxation.

Full Lump-Sum Payment

The full lump-sum distribution option distributes your entire account balance at one time.

Periodic Payment

The periodic payment option allows you to withdraw money in installments without purchasing an annuity. You can keep your funds invested in the investment options available through the SFDCP and transfer funds among those options.

Required Beginning Date (RBD)

The RBD is the latest date on which you can elect to start distributions. The Internal Revenue Code states that you must begin your distributions no later than April 1 of the calendar year following the year in which you reach age 70½ or sever employment, whichever occurs later.

Rollover

A tax-deferred rollover occurs when you withdraw cash or other assets from one eligible retirement plan and contribute all or part of it within 60 days to another eligible retirement plan.⁹

Severance of Employment

The date a participant dies, retires or otherwise severs employment with the employer as determined by the SFDCP.

Please visit www.sfdcp.org or call (877) 457-9321 to speak with an SFDCP representative for more information.

⁹ Source: www.irs.gov

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

Great-West Retirement Services refers to products and services provided by Great-West Life & Annuity Insurance Company and its subsidiaries and affiliates. Great-West Retirement Services® and KeyTalk® are registered trademarks of Great-West Life & Annuity Insurance Company. All rights reserved. Not intended for Plan Sponsors whose situs is in New York. ©2011 Great-West Life & Annuity Insurance Company. All rights reserved. Form# CB1108D (01/2011) PT115340