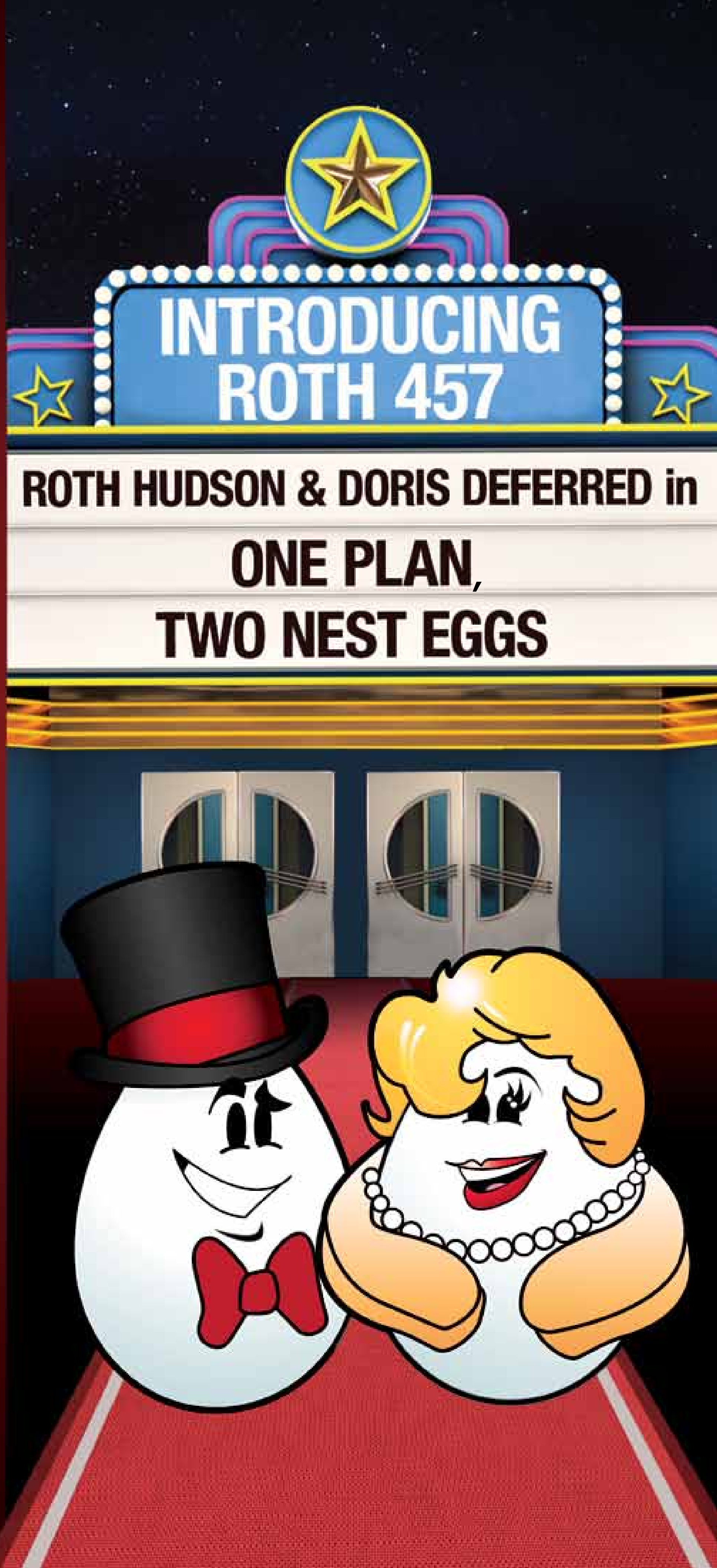
Two choices for how to save in your City of Los Angeles Deferred Compensation Plan



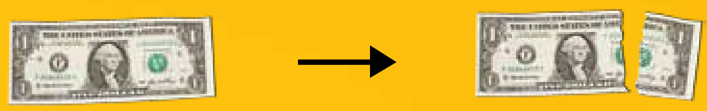
www.cityofla457.com
(888) 457-9460

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 the money.**

Doris Deferred

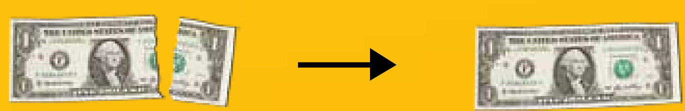


Pre-tax dollar goes into Plan → **Taxes paid when withdrawn**

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 when you withdraw the money,** assuming you meet certain conditions.

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After-tax dollar goes into Plan → **No tax paid when withdrawn**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 contribution
– Taxable distribution

Directions:
1. Make pre-tax contribution.
2. Bake account while employed by the City.
3. Remove assets from account at any time following separation from service, paying tax on any amounts removed.

* Best served with side of additional retirement income.

Roth Hudson's
"Distributions Over Easy"

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

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assets from account following separation from service, paying no tax if account is held for at least five years and not withdrawn until age 59½.

* Best served with side of additional retirement income.

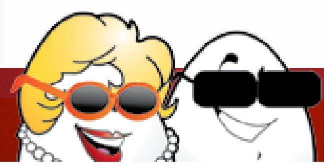
Unscrambling your choices

Aside from the tax treatment of contributions and distributions, Roth and Doris have more similarities than differences, as indicated in the following table:

Different rules

Different rules	(Doris)	(Roth)
How are my contributions made?	Pre-tax	After tax
Are my distributions taxable?	Yes	No, if account is held for at least five years and not withdrawn until age 59½

Same rules



Same rules	(Both)
Are contribution limits identical?	Yes, but they must be coordinated—total contributions of both savings types cannot exceed the annual limit*
Can I take a loan from my account?	Yes
Am I eligible to apply for a 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 older; and up to $33,000 for those enrolled in "Catch-Up."

** Note that a "tax penalty" is different than "taxable income." **The City's Plan has no tax penalties for early distribution, regardless of the age at which funds are distributed.**

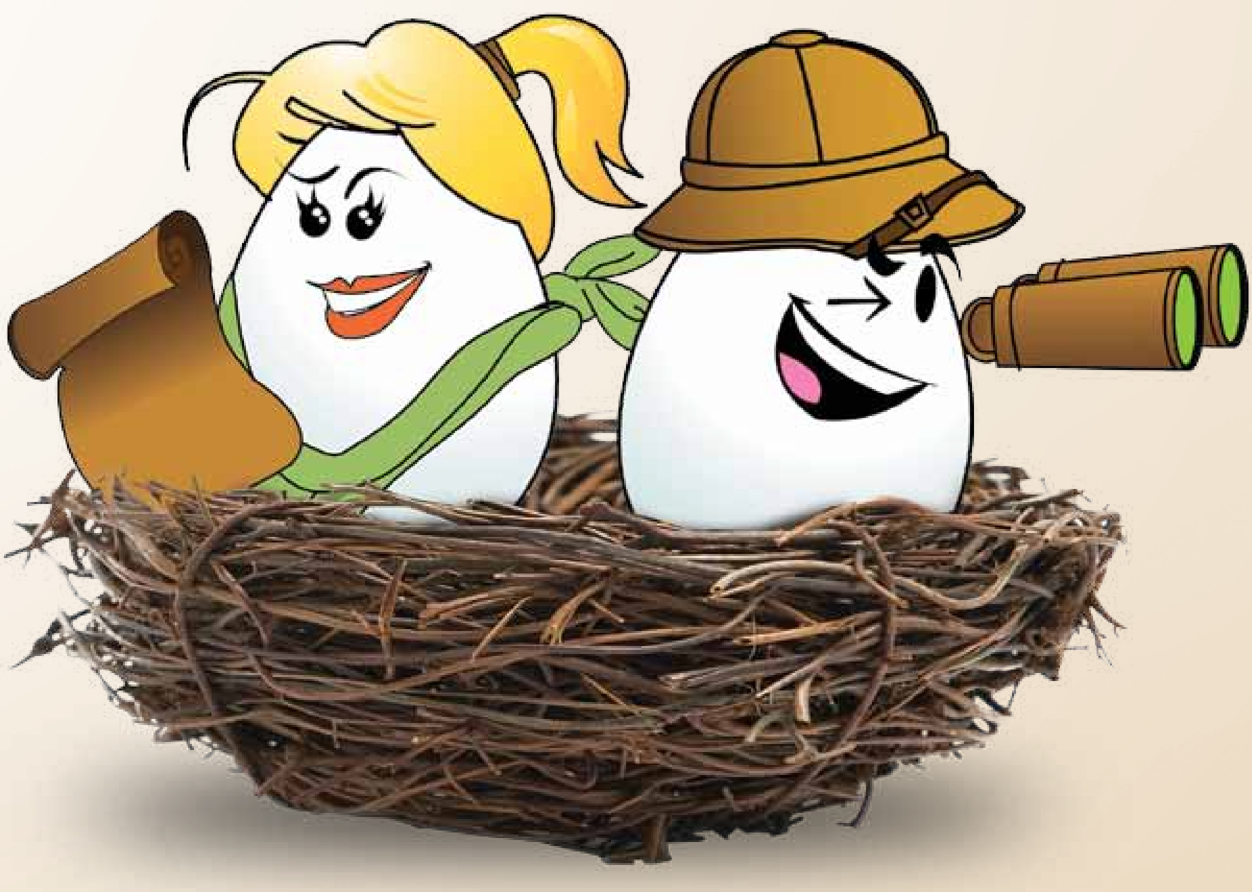
What's the best way to save?

There's no one-egg-fits-all answer, **but figuring out what makes the most sense for you may not be as complicated as you think.** Whether you choose to save with Doris (pre-tax) or Roth (after tax) primarily depends on **whether you want to postpone paying taxes until you take a distribution or pay taxes now so you won't have to pay them later.**

1. Impact on Take-Home Pay - Your take-home pay will be reduced more by contributing Roth dollars than contributing pre-tax dollars. This is something to keep 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/or higher tax rates in retirement, saving Roth dollars might make more sense. If you expect less taxable income and/or lower tax rates in retirement, saving pre-tax dollars might make more sense.

Two Side Orders?
Do both savings recipes sound appealing? Try both! You can mix and match your contributions—saving some pre-tax and some post-tax. Remember, you can always make adjustments as time goes along. **And if you do choose to save both ways, you'll have options when you retire** as to when you want to draw down your pre-tax or post-tax savings.



Eggstra information

Q **I'm currently contributing to the Plan. Is there any action I'm required to take?**

A **The introduction of Roth 457 does not require you to take any action regarding your current contribution.** 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 As much as you wish, as long as your combined pre-tax plus Roth contributions do not exceed the annual limit that applies to you. In 2011, you may contribute $16,500 if you are below age 50; $22,000 if you are age 50 or older; and up to $33,000 if you are enrolled in special "catch-up" provisions.

Q **I currently contribute a large amount biweekly to the Plan. I'd like to start making Roth contributions, but the change would mean a big cut in my take-home pay. Can I gradually make the change from pre-tax to Roth?**

A **Yes.** You can gradually adjust contributions you designate as pre-tax versus those you designate as Roth.

Q **What if I've already contributed pre-tax money to the Plan in 2011 and want to convert that to Roth? Is this possible?**

A **No.** Whatever pre-tax amounts you've previously contributed in 2011 must remain pre-tax. However, any new contributions can be post-tax up to the applicable annual limit.

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 versus post-tax?**

A Age by itself is not necessarily a factor; rather, the key considerations are the **impact on your take-home pay and/or what you expect to be your taxable income and/or future tax rates in retirement.**

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. You should consult a tax professional for further guidance if you have questions about Roth IRAs.

Q **Can I take a loan or make a hardship withdrawal from my Roth contributions just as I can from my pre-tax contributions?**

A **Yes.** Both savings types are available for loans/ hardship withdrawals.

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, regardless of whether they're pre-tax or Roth.

Q **I have a Roth IRA that I'd like to roll into the City's Plan. Can I do this?**

A No; federal rules do not allow this. However, if you have a Roth 457, Roth 401(a) or Roth 401(k) account, you can roll those 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 distributions from my account, can I specify the timing of when I take my Roth money versus my pre-tax money?**

A **Yes.** Otherwise, if you make no election, distributions will be proportionately withdrawn from 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 your account is held for at least five years and not withdrawn until age 59½.** In addition, no tax is owed on payments made to a beneficiary following the participant's death.

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 **Where can I get more information about the Roth savings option?**

A The Plan offers many resources for helping you learn more about this new savings option. **Special seminars** regarding Roth will be offered in July and August (see enclosed listings of times/dates/locations). **The Plan website,** www.cityofla457.com, offers a "Roth Analyzer" calculator to help you compare the impact of saving pre-tax versus after tax. **Customer service representatives** are available at (888) 457-9460. **Local Plan representatives** are available by phone and in person (see final page for local counselor contact information).

* Access to the voice response system and website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

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 90012** **M-F from 8:00a.m.-4:00p.m.** **Appointments not required**