City of Los Angeles

Deferred Compensation Plan

A Supplemental Retirement Plan
Provided to City of Los Angeles Employees


TAKE THE LEADING ROLE
IN YOUR RETIREMENT
YOUR NAME HERE
FEATURING YOUR
DREAMS IN MOTION
PICTURE
START
SEE YOUR
future
IN THE
spotlight
LIGHTS,
CAMERA ...
ACTION

WELCOME

Introducing

Your Deferred Compensation Plan

Everyone knows Los Angeles is the movie-making capital of the world. Hollywood and the film industry provide us with a rich history that makes our city unique.

The essence of that rich history is a city reinventing itself, again and again. Every film debut is like a new beginning—a chance to tell a wonderful new story.

Movie lovers also know a Hollywood premiere is a big event. It marks the culmination of years of planning, hard work and imagination. Retirement is the premiere of a new phase of your life. It's also the reward for a lifetime of work and planning ahead.

The City's Plan provides a way to complement your City retirement/pension benefit. It also strengthens your financial foundation in other ways. Not only can your account be used for the future, but loan features allow it to be used for important purchases or even to serve as an emergency fund.

The Plan makes it easy to start saving. This guide will help you get started. I encourage you to read it and learn more—but above all, to take those first important steps toward securing your financial future. The sooner you start, the brighter that future will be.

Thank you for your role in making Los Angeles a premier city—and best wishes for a premier retirement!

Sincerely,

Eugene K. Canzano
Chairperson
Board of Deferred Compensation

TO A PROSPEROUS AND SECURE FUTURE NEAR YOU … YOUR RETIREMENT.

Imagining your retirement can be like going to the movies. When you see a film for the first time, you're never exactly sure what will happen. There might be some drama, a few surprise twists—but most of us hope for a happy ending.

What if instead of being in the audience, you were the director? And what if the film you were making was the story of your retirement? What would it take to make that happy ending?

The City of Los Angeles Deferred Compensation Plan can put you in the director's chair for your future. In fact, you're also the producer, the script writer, and you even get the starring role!

This guide will show you how to take the reins of that production. But you won't be alone. The Plan provides you with a strong supporting cast and crew—excellent programs and seasoned experts to help you every step of the way.

What exactly is the Deferred Compensation Plan?

It's an easy way to save on taxes and save for the future

The Plan is very simple:

- Money comes out of your paycheck automatically and goes into the Plan.
- You decide how much to contribute.
- Contributions can be made before tax, after tax (Roth), or as a combination of both options (see next question for additional information on the tax advantages for these savings methods).
- You decide where to invest your contributions.
- When you retire, you can make withdrawals from your account.

In short, the Plan provides an easy way to build a nest egg for the future. How big that nest egg grows depends on how much you contribute and how much your contributions earn over time.

How is this different from some other types of savings plans?

Here are some key differences:

- Tax-Advantaged Contributions Provide More Bang for Your Buck – Contributing before-tax dollars will reduce your current year's taxable income; however, you will be taxed when you later take a distribution from your account. Contributing after-tax dollars (i.e., Roth contributions) means that though you pay the taxes now, your earnings can be tax-free at distribution (once you meet certain qualifications).*
- Payroll Deduction Makes It Easy – Contributions are deducted automatically from each paycheck, allowing you to follow a great savings principle: Pay yourself first!
- Contribute Only What You Can Afford – You can get started by contributing as little as $15 per payday. This makes getting into the habit of saving easy.
- Pick from Investment Choices Designed to Suit Any Investor – The Plan provides a broad range of investment options, allowing you to design an investing strategy that's right for you.
- Enjoy User-Friendly Account Management – The Plan provides easy-to-use tools for understanding and managing your account over time—and a team of local counselors to guide you.
- No Early Withdrawal Penalties – You can withdraw pre-tax dollars from your account without penalty once you separate from service, regardless of your age—you only pay ordinary income tax on your distributions.

*Please note that the earnings on your after-tax dollars (i.e., Roth contributions) in the Plan can be withdrawn tax-free if you are at least 59½ and have held the after-tax account for five years.

THE BIG PICTURE

Sounds interesting, but don't I already have retirement benefits with the City?

You do ... and those benefits go a long way toward securing your financial future (though not necessarily all the way)

As an employee of the City of Los Angeles, your retirement production already features some of the hottest stars in the business:

The Los Angeles City Employees' Retirement System (LACERS), covering all civilian and non-DWP employees

Police and Fire Pensions (Pensions), covering sworn Fire and Police employees

The Department of Water and Power (DWP) Retirement System, covering all DWP employees

How big are these stars? Let's just say they're "worth every penny." Consider the following:

- Once you qualify for a retirement benefit with the system of which you're a member, you're guaranteed to receive a lifetime income stream upon retirement.
- The amount of income you receive will be based on your length of service and highest income—so the longer you work and the more you make, the higher the benefit.

Each retirement system has different benefits. The table below provides some general information about how much of your working income would be replaced depending on your years of service.

	PERCENT OF FINAL PAY		
YEARS OF SERVICE	LACERS (TIER 1)	DWP	PENSIONS (TIER 5 ONLY)
10	22%	21%	REFUND OF CONTRIBUTIONS
15	32%	32%	REFUND OF CONTRIBUTIONS
20	43%	42%	50%
25	54%	53%	65%
30	65%	69% (>AGE 55)	81%

If my retirement benefit is so great, why join the Deferred Compensation Plan?

Because you might need, or want, more

The Plan is a program designed to supplement your retirement benefit. "Supplement" means adding to the income stream you receive from your primary retirement plan.

How much supplemental income would you like to have? It all depends. How much longer do you plan to work? How long have you already been working? What will your income needs be in retirement?

Some of these questions might be difficult to answer, particularly those involving a distant future. Experts suggest you'll need around 70% to 80% of your working income to maintain a similar lifestyle in retirement[1], but everyone's situation is unique.

There's a better way to look at the Plan. Think of it as a way to create new opportunities and dream bigger dreams—but those opportunities and dreams are limited only by how much you grow your account over time. For example, your account might:

- Allow you to generate more retirement income and live more comfortably later in life
- Allow you to retire at an earlier age than you otherwise could have
- Provide funding for a big retirement dream, like a vacation home
- Provide an extra safety net for you and your loved ones

Don't join the Plan because you're scared about your future. Join because you're excited by it.

But if I put money into the Plan, isn't it locked away until I retire? What if I need it before then?

In fact, you can access your account while working—through the Loan Program

Remember that the money you put into the Plan is—and always will be—your money. Although federal tax rules don't generally allow you to withdraw funds while working, they do allow you to borrow from your account.

Here's how it works: If you have a minimum of $2,000 in the Plan, you can borrow up to 50% of your account balance or $50,000, whichever is less. You can pay off the loan in up to five years (or 15 years if it's being used to purchase your home), and you pay yourself back through payroll deduction. You're required to pay interest, but all of that interest goes back into your own account.

Not only does the Loan Program provide an option for accessing your account while working, it also allows you to leverage the opportunities created by having that account. Participants have the option to use loans as sources of down payments for cars and homes or to eliminate other debts so that they keep the interest, instead of paying it to a third party.

Retirees may also borrow from their accounts on the same basis as Plan participants who are still working, with the exception that repayments are due monthly either by check, money order or automatic payment from your bank account.

There are two other options for getting money out of the Plan while still working: by qualifying for a hardship withdrawal (you have to meet Internal Revenue Service regulations) or by having a small, inactive account of $5,000 or less. Loans, however, are generally the easiest way to access your funds. For more information on loans, visit the Plan's website at www.cityofla457.com.[2]

1 Source: https://www.socialsecurity.gov/planners/morecalculators.htm

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

FUNDING YOUR PRODUCTION

But what if I'm not sure I can afford it?

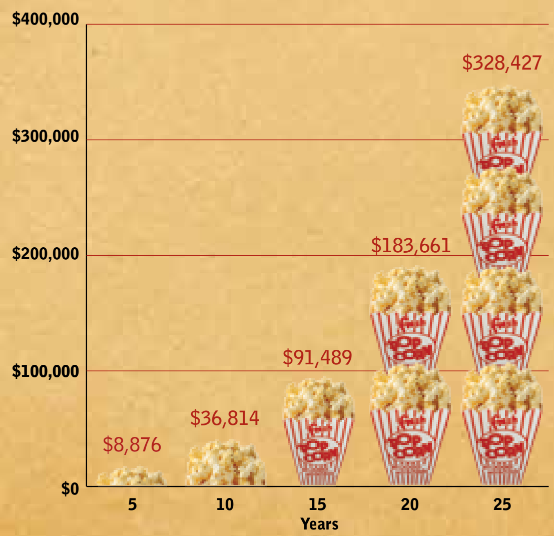
Every big production needs funding, and financing your retirement is no exception

However, you have the luxury of not having to worry about box-office results to determine your success. Instead, your success is determined by how much you invest and how your investments grow over time.

Most of us see the value of saving for the future, but we want to make sure we have enough for today, as well. If you're looking to find a good balance, here are three easy ways to do it:

- Start Small – You don't need to begin by putting hundreds of dollars in every payday. Start with a small amount, like $20. Remember that if you elect contributions that are before-tax, you won't see the entire contribution amount come out of your check. A $20 contribution might result in only a $12 to $15 net reduction in pay (depending on your tax withholding).
- Consider Savings Options – You may also want to consider making after-tax Roth contributions, described previously, which offer advantages to certain participants.
- Go Automatic – One of the Plan's great features is the ability to sign up for automatic contribution increases. For example, you could start saving $20 a payday, then elect to have your biweekly contribution increase by an additional $20 once each year. Making it automatic means you won't need to think about it—and those steady increases can produce big account balances over time.

The following example shows hypothetical account balances for someone who starts saving with a $20 before-tax contribution and then increases the contribution by $20 per payday each year. As the chart shows, over time this type of strategy can produce significant balances.



FOR ILLUSTRATIVE PURPOSES ONLY. This illustration is hypothetical and does not represent the performance of any investment options. It assumes 26 pay periods per year, a 7% annual rate of return compounded annually, a $20 increase in before-tax contributions per pay period each year, and no withdrawals. The illustration does not reflect any charges, expenses or fees that may be associated with your Plan. The tax-deferred accumulations shown above would be reduced if these fees had been deducted. Not intended to predict or project future results. Rates of return may vary.

3 Diversification of an investment portfolio does not ensure a profit and does not protect against loss in declining markets.

4 Representatives of GWFS Equities, Inc. and the City of Los Angeles 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.

5 Asset allocation does not ensure a profit and does not protect against loss in declining markets.

6 A bond fund's yield, share price and total return change daily and are based on changes in interest rates, market conditions, economic and political news, and the quality and maturity of its investments. In general, bond prices fall when interest rates rise and vice versa.

7 Equity securities of small- and medium-sized companies may be more volatile than securities of larger, more established companies.

8 Foreign investments involve special risks, including currency fluctuations and political developments.

What if I don't know anything about investing?

Relax ... investing doesn't have to be like a scary movie

Most of us get a little nervous thinking about investing. We think investing is only for experts and worry about making good decisions.

Investing wisely is actually pretty simple. In fact, it's as easy as one, two, three:

1. Identify how much risk you're comfortable with.
2. Consider diversifying your investments (in other words, avoid putting all your eggs in one basket).[3]
3. Try to avoid reacting to short-term movements in the financial markets.

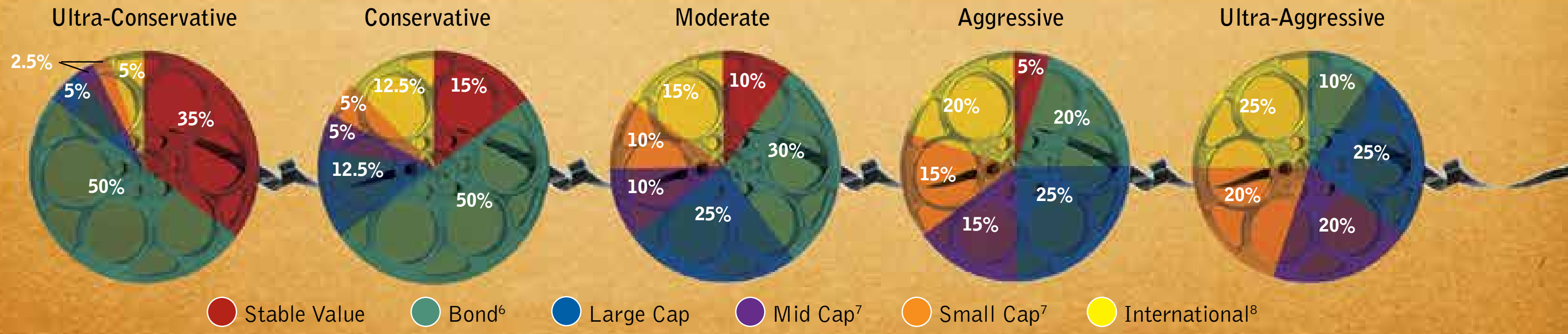
The Plan offers an easy way to help you meet all three objectives. Among your investment choices are what we call the "Profile Funds." There are five of them, and they allow you to:

- Choose a risk level that works for you.
- Diversify your investments automatically and easily.
- Make a long-term investment that won't require many changes on the road to retirement.

Each Profile Fund automatically spreads your contributions out over a broad range of asset classes in varying percentages. What distinguishes each is the risk "profile" of the participant. Generally speaking, investors who have longer to work might be more comfortable taking on more risk, while investors nearing retirement might want less risk. If you need help, our Plan counselors can help you design a strategy that works for you.[4] For investors who mostly want to just get the "cameras rolling," the Profile Funds make it easy!

Some investors are more comfortable directing their own asset allocation mix.[5] The Plan offers a range of investment options, from stable value options to aggressive funds. Investors can also choose between index funds and actively managed mutual fund options to find a mix to suit their needs. Active investors who are looking for even more choices may opt to enroll in the Self-Directed Brokerage (SDB) option offered by the Plan. The SDB option provides access to a cast of hundreds of additional investment choices and is intended for knowledgeable investors who acknowledge and understand the risks associated with the investments contained in the SDB account. Participants choosing the Schwab PCRA Self-Directed Account will be charged an additional annual administrative fee of $50, assessed at $12.50 per quarter.

Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information, prospectuses for all PCRA funds can be obtained on the website at www.schwab.com or by calling (888) 393-7272. Read them carefully before investing.



The allocations shown here for the Profile Funds are subject to change. The Profile Fund allocations are based on an investment strategy based on risk and return. This is not intended as financial planning or investment advice.

ACTION

OK, I'M CONVINCED ENROLLING IN THE PLAN IS A SMART CHOICE. WHAT NOW?

Enrollment is easy. Let us roll out the red carpet for your Plan

Getting started is as easy as completing the enrollment form and sending it back in the postage-paid envelope included in this kit. You can also fax your completed form. Please send it to:

Great-West Financial℠
P.O. Box 173764
Denver, CO 80217-3764
Toll-Free Fax: (866) 745-5766

If you have questions or need more information, you can call our toll-free number, visit the Plan website, or come to the Plan service center at City Hall.[2]

Phone
(888) 457-9460

Website
www.cityofla457.com

Plan Service Center
City Hall
Personnel Department/
Employee Benefits Division
200 N. Spring Street, Room 867
Los Angeles, CA 90012
Open Monday through Friday,
8:00 a.m. - 4:00 p.m.

Please do not contact the City Controller's Office or DWP Payroll with questions about the Plan or initiating payroll deductions. Local Plan representatives can assist you with any aspect of participation via the contact information listed on this page.

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

The City of Los Angeles Deferred Compensation Plan
puts you in the director's chair

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