



Features and Highlights

The City of Torrance is one retirement savings program with two components: the Deferred Compensation (457) Plan and the Savings Incentive 401(a) Plan. Read these highlights to learn more. If there are any discrepancies between this document and the Plan Document, the Plan Document will govern.

About the 457(b) Deferred Compensation Plan

A governmental 457(b) deferred compensation plan (457 plan) is a retirement savings plan that allows eligible employees to supplement any existing retirement and pension benefits by saving and investing before-tax dollars through a voluntary salary contribution. Contributions and any earnings on contributions are tax deferred until money is withdrawn. Distributions are subject to ordinary income tax. You also have the option to contribute to a Roth 457 account, which allows you to save after tax.

Advantages of Before-Tax Savings

With tax-deferred savings, you pay no income taxes on any contributions or any earnings until you withdraw the money. This leads to the benefit of compounding — that is to say, potentially generating returns on money that you would have paid in taxes if those taxes had not been deferred. Any earnings are reinvested in your account, where they have the potential for continued growth because they are not reduced by taxes each year. This option may be best if you expect to be in a lower tax bracket when you retire. You won't pay taxes on any contributions or any earnings on the contributions until you take a distribution, usually during retirement (when many people expect their retirement earning power and tax burden to be lower than they are today).

Advantages of After-Tax Roth Savings

Roth contributions are made with after-tax dollars. Roth 457 contributions reduce your take-home pay because you pay taxes on your Roth 457 contribution up front, rather than deferring those taxes until you take a distribution. The Roth option essentially locks in today's tax rates on all contributions. For some people — especially those who expect to be in a higher tax bracket when they retire — the Roth option may make the most sense.

Eligibility Requirements

You are eligible to enroll immediately following your date of hire.

Enrollment

You may enroll online through the Plan's website at www.torrance457.com or by completing an Enrollment Form and returning it to the City Treasurer's Office or to your local Empower Retirement representative.

2017 Contribution Limits

The combined maximum limit is 100% (\$10 minimum) of your compensation or \$18,000, whichever is less, for all retirement contributions.

If you are within three years of normal retirement age, you may also be able to take advantage of the Special Catch-up provision. If you have not contributed in previous years, the Special Catch-up provision allows you to contribute double the contribution limit ($\$18,000 \times 2 = \$36,000$).

If you have contributed in previous years but did not contribute the maximum amount, the Special Catch-up provision allows you to contribute the normal contribution limit (\$18,000) plus the contribution amounts that were allowed but not contributed in previous years, up to a maximum of \$36,000. Participants turning age 50 or older in 2017 may contribute an additional \$6,000 for a total of \$24,000. Please note that you may not use the Special Catch-up provision and Age 50+ Catch-up provision in the same calendar year.

Employer Contributions

Your Plan may contribute a discretionary contribution, depending on your eligibility. Please contact your Plan Administrator to find out if you are eligible. This contribution may be credited to your 457(b) Plan or the 401(a) Plan account. This contribution will only apply to your deferrals that do not exceed a dollar amount or percentage of included compensation that is determined by your employer.

Vesting Schedule

Vesting refers to the percentage of your account you are entitled to receive upon the occurrence of distributable events. You are always 100% vested in your contributions, any employer contributions, and any earnings (including rollovers from previous employers).

Investment Options

A wide array of core investment options is available through your Plan. Each option is explained in further detail in your Plan's fund sheets. Once you have enrolled, investment option information is also available through the website at www.torrance457.com or by calling the voice response system toll free at (800) 701-8255. The website and the voice response system are available to you 24 hours a day, seven days a week.¹

In addition to the core investment options, a self-directed brokerage account (SDBA) is available through TD Ameritrade. The SDBA allows you to select from numerous investment options for additional fees. The SDBA is intended for knowledgeable investors who acknowledge and understand the risks associated with the investments contained in the SDBA.

Transfers and Allocation Changes

Use your personal identification number (PIN) and username to access the website, or use your Social Security number and PIN to access the voice response system. You can move all or a portion of your existing balances among investment options (subject to Plan rules) and change how your payroll contributions are invested.^{1,2,3}

Rollovers

Only Plan Administrator-approved balances from an eligible governmental 457(b), 401(k), 403(b), or 401(a) plan or an Individual Retirement Account (IRA) may be rolled over to the Plan. You are encouraged to discuss rolling money from one account to another with your financial advisor/planner, considering any potential fees and/or limitations of investment options.

Withdrawals

Distribution events for both Plans, for before-tax and Roth contributions:

- Retirement
- Severance of employment (as defined by the Internal Revenue Code provisions)
- Attainment of age 70½ (for 457 Plan only)
- Death (your beneficiary receives your benefits)
- Unforeseeable emergency (as defined by the Internal Revenue Code)
- Transfer to purchase service credit

Each distribution is subject to ordinary income tax except for an in-service transfer to purchase service credit. Distributions you receive prior to age 59½ may be subject to the 10% early withdrawal federal tax penalty for the 401(a) Plan. The 10% early withdrawal penalty does not apply to 457 plan withdrawals.

Taxation of Roth contributions and any earnings:

If you take a distribution from your Roth account, the earnings on your Roth contributions (if any) will not be taxable if the distribution occurs after you have held the Roth account for a five-tax-year period and the distribution occurs after you:

- Attained age 59½, or
- Became disabled, or
- Died (your beneficiary receives your benefits).

If a distribution is made from your Roth account before you reach age 59½, become disabled, die, or before you have held the Roth account for a five-tax-year period, you will pay income taxes on any earnings that are distributed. Otherwise, there is no income tax due on the Roth contributions distributed from the Plan because contributions were made with after-tax dollars.

Plan Fees

Recordkeeping or Administrative Fees:

The underlying core investment options pay revenue to the Plan to offset any recordkeeping or administrative fees. Should that revenue be insufficient, there may be a participant fee. Participants will be notified prior to any fees being assessed.

Distribution Fees:

There are no Plan distribution fees.

Investment Option Fees:

Each investment option has an investment management fee that varies by investment option. These fees are deducted by each investment option's management company before the daily price or performance is calculated. Fees pay for trading of securities within the investment options and other management expenses.

Funds may impose redemption fees on certain transfers, redemptions, or exchanges. Asset allocation funds may be subject to a fund operating expense at the fund level, as well as a prorated fund operating expense of each underlying fund in which they invest. For more information, please refer to the fund prospectus and/or disclosure documents.

There may be a recordkeeping or administrative fee for investing in certain investment options. Please contact your Empower representative for more information about any potential investment option fees.⁴

There are additional quarterly fees and/or transaction fees to participate in the SDBA option. Please see your Plan's website for more information.

Loans

Your Plan allows you to borrow the lesser of \$50,000 or 50% of your total vested account balance. The minimum loan amount is \$1,000 and you have up to five years to repay your loan — up to 15 years if the money is used to purchase your primary residence. There is a \$50 origination fee for each loan, which is deducted from the proceeds of the loan, plus an ongoing \$25 annual fee, assessed to your account at \$6.25 quarterly. You are allowed to have one outstanding loan at any time.

Empower Retirement Advisory Services (Advisory Services)

Your Plan offers a suite of services called Advisory Services. You can have Advised Assets Group, LLC (AAG), a registered investment adviser, manage your retirement account for you. Or if you prefer to manage your retirement account on your own, you can use Online Investment Guidance and Online Investment Advice tools. These services help create a personalized retirement strategy for you.

For more detailed information on the Managed Account service, including fees, please see the Managed Account Agreement attached to the Enrollment Form. For more detailed information about the other services, including any applicable fees, visit your Plan's website at www.torrance457.com or call the voice response system at (800) 701-8255 to speak to an investment adviser representative.

There is no guarantee that participation in any of the advisory services will result in a profit or that the account will outperform a self-managed portfolio invested without assistance.

How Can I Get More Information?

Visit the website at www.torrance457.com or call the voice response system toll free at (800) 701-8255 for more information. The website provides information regarding your Plan as well as financial education information, financial calculators, and other tools to help you manage your account.

¹ Transfer requests made via the website or voice response system received on business days prior to close of the New York Stock Exchange (1 p.m. Pacific time or earlier on some holidays or other special circumstances) will be initiated at the close of business the same day the request was received. The actual effective date of your transaction may vary depending on the investment option selected.

² The account owner is responsible for keeping their PIN/passcode confidential. Please contact Client Services immediately if you suspect any unauthorized use.

³ Funds may impose redemption fees and/or transfer restrictions if assets are held for less than the published holding period. For more information, see the fund's prospectus and/or disclosure documents.

⁴ Representatives of Empower Retirement do not offer or provide investment, fiduciary, financial, legal or tax advice or act in a fiduciary capacity for any client unless explicitly described in writing. Please consult with your investment advisor, attorney and/or tax advisor as needed.

Core securities, when offered, are offered through GWFS Equities, Inc. and/or other broker-dealers.

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