

- WASHINGTON STATE -  
DEFERRED COMPENSATION PROGRAM

DISCOVER THE SMART,  
EASY WAY TO SAVE

FOURTH QUARTER • 2010

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## Quarterly statement enhancements

Based on your feedback, we've updated your quarterly statement. We think you'll appreciate the improved readability and the emphasis on the information you need to make decisions about saving for your retirement. As you read further you'll notice:

- A new section called **Unit/Share Valuation** that conveniently includes your fund's share prices,
- Updated section headings and descriptions for ease of reading,
- Streamlined format revisions, (to reduce redundancy) and
- A new simplified *Quarterly Fund Performance* insert.

Please let us know what you think about the changes, or if you have other ideas for improvement. If you have questions about your statement, give us a call or review the updated *Statement Guide* online.

## Will DCP accept Roth contributions?

President Obama recently signed the Small Business Jobs Act of 2010 into law. This legislation allows 457 plans, like DCP, to collect Roth contributions. We're currently looking at the possibility of providing this option to you. As you know, the money you currently put into your account is tax deferred. Roth contributions are different because they're taxed as income in the same year your contributions are made, but your distributions are generally tax-free.

We'll have additional information about this topic in a future *DCP Update*.



## How much can I defer in 2011?

Federal deferral limits won't change in 2011—the limit will remain \$1,375 monthly (\$16,500 annually). If you're at least age 50, at any time in 2011, you have the opportunity to defer extra dollars—up to \$1,833 monthly (\$22,000 annually). And, if you're within three years of normal retirement age, you may be allowed to defer up to \$33,000 a year (\$2,750 a month). To take advantage of either of these additional provisions, please call the DCP Information Line.

### Another way to defer: Leave cash outs

If you aren't already contributing to DCP at the maximum amount, we recommend you consider deferring your leave cash outs. A higher deferral amount now can make a significant difference when you retire.

## Tax season is here – look for your 1099s

Your 2010 DCP tax form will be mailed on or before Tuesday, February 1, 2011. If you received distributions in 2010, you may receive more than one 1099. The first and second quarters of 2010 will be reported by our former record keeper (ING). The third and fourth quarters of 2010 will be reported by our current record keeper. You may also receive more than one 1099, from our current record keeper, if your distribution included more than one money type. If you have questions about 1099s or you need a duplicate copy of your tax forms, please call the DCP Information Line.

### Avoid delay: Update your address today

To make sure your 1099 forms arrive on time, please let us know if your address changes. Call us and we'll update your address over the phone.



## Tax-smart saving

### Make the most of your retirement plan

Whether or not this year's changes in the tax laws affect you, there's one thing that remains constant: the benefit of investing in a workplace retirement savings account.

### The pre-tax advantage

Generally, workplace retirement accounts are effective long-term savings tools. One reason is their ability to shelter money from taxes: You aren't taxed on the dollars you contribute to the plan—or on any money your investments earn—until you start making withdrawals. What's more, you can reinvest every penny of your investment earnings, rather than paying a portion of them to Uncle Sam. Over time, these returns potentially can generate more returns—a phenomenon known as compounding.

### Give it a boost

Strive to save as close to the maximum allowed in your plan. The IRS limit is \$16,500 for 2011, and even more if you're age 50 or older or meet other criteria in your plan.<sup>1</sup> You may not be able to afford contributing that much now, but you can make it a goal—gradually increasing the percentage you defer from your salary each year.

<sup>1</sup> irs.gov.



## DCP Information Line enhancements coming soon

During the first quarter of 2011, we're enhancing the DCP Information Line with speech recognition capabilities. Other highlights include new ways to access your account if you forget your PIN and the ability to request a statement or form. Improvements should be complete by the end of the first quarter. The phone number for the DCP Information Line will remain 888-327-5596.



## Changes to installment payments

In 2011, we'll begin using a revised formula to calculate installment payments with Single Life Expectancy or Joint and Survivor Life Expectancy Options. The new calculation will include a yield to reflect expected investment earnings. With a yield, distribution amounts will more closely match your payments to your life expectancy (or joint life expectancy).



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