

Please Note: The material contained in this newsletter regarding financial planning is merely for informational purposes. The Deferred Compensation Plan/NYCE IRA is not an investment advisor, and is not holding itself out as such. Any references to rate of return and risk are based on past experience and, as such, there is no guarantee of the rate of return you may actually receive. Therefore, you may wish to consult a professional investment advisor before reaching any investment decisions.



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Deferred Comp/NYCE IRA UPDATE



The Newsletter for the 457 and 401(k) Plans and the NYCE IRA Quarter Ended December 31, 2010



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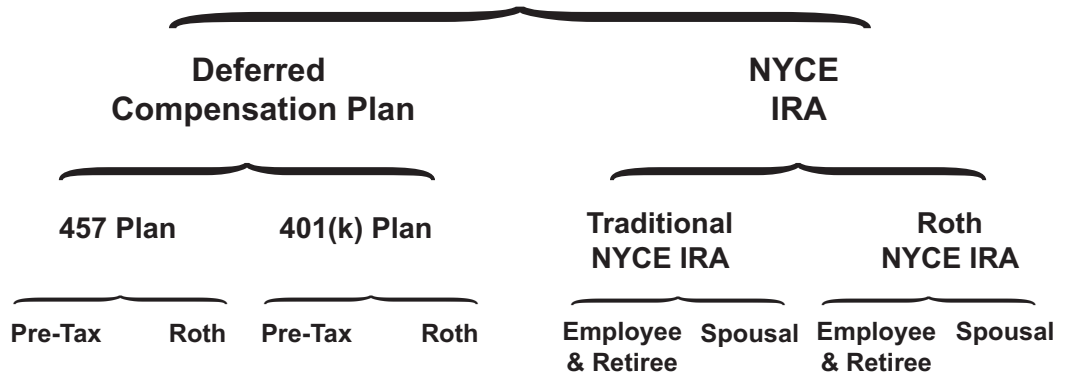
The Roth 457 is Coming!

With the Roth 457 Plan, contributions grow tax-free and your withdrawals will not be subject to income tax provided you have attained age 59½ and the assets have been held in your account for at least five years from the first taxable year of your first Roth 457 contribution to the Plan.

The Plan to introduce the Roth 457

As a participant in the New York City Deferred Compensation Plan, you know that it is an umbrella program consisting of a 457 plan (pre-tax only), a 401(k) plan (pre-tax and Roth) and the NYCE IRA and Spousal NYCE IRA (Traditional and Roth). We are pleased to now be able to offer a Roth component to the 457 Plan! Participants will be able to start selecting Roth deferrals in the 457 Plan beginning in March 2011.

New York City Tax-Favored Programs



457 Roth contributions, like all Roth contributions, grow tax-free and your withdrawals (contributions AND EARNINGS) will not be subject to income tax provided you have attained age 59½ and the assets have been held in your account for at least five years from the first taxable year of your first 457 Roth contribution. The contribution limit for 2011 is \$16,500 (\$22,000 if you are 50 or older) and is coordinated with your pre-tax 457.

You may contribute anywhere from 1.0% - 50.0%. Keep in mind, however, that since this deduction will occur post-tax, you may see a noticeable decrease in your net pay as compared to a pre-tax deduction. For example:

Annual Salary	\$50,000
Bi-Weekly Salary	\$1,924
Annual Contribution to Plan	\$15,000
Estimated Tax Rate (Before Retirement)	20%
Estimated Tax Rate (After Retirement)	20%

	<i>Pre-Tax 457</i>	<i>After-Tax Roth 457</i>
Deferral Percentage	30.0%	30.0%
Pre-Tax Payroll Deduction	\$577	\$0
Taxes	(\$270)	(\$385)
After-Tax Payroll Deduction	\$0	\$577
Net Pay	\$1,077	\$962

This example is for illustrative purposes only. Changes in future tax rates will affect the potential comparative benefit of plan participation. The decision to contribute to a Roth 457 is a personal one and should be made carefully; we suggest you consult with an independent financial advisor to better understand the complexities of taxation in retirement.

Pre-Tax Versus Post-Tax: Which Plan Is Right For Me?

The benefit of pre-tax investing is not only does it reduce your tax liability while you are actively contributing, but if you are in a lower income tax bracket during retirement, you will pay less taxes on your money when you withdraw your account than if you had paid taxes at the time you earned your compensation.

But what if you are not in a lower income tax bracket during retirement? Although you no longer have a full-time job, you may also have fewer income tax deductions such as mortgage interest and dependent children. Pension benefits, plus Social Security benefits and deferred compensation withdrawals may cause your income to remain the same, if not increase during retirement. Or, you may retire elsewhere, where state and local taxes may be different. All of which can counteract the effects of a lower income.

If you are in a higher income tax bracket during retirement, then the post-tax, Roth 457 may be your best bet, assuming you can afford the higher cost of post-tax investing now. Receiving a little less in net pay now, may result in considerable savings later.

Why Not Consider Contributing Both Pre-Tax and Post-Tax?

You may be uncertain as to whether or not you will be in a lower tax bracket at retirement or whether or not tax rates will rise. Since you are not limited to one Plan or the other, you may be better off contributing some money to each Plan in order to diversify your tax liability.

Just as you have recognized the need to diversify your portfolio, perhaps you should consider the feasibility of diversifying the tax categories of your investments, as well.

You will need to think about these and other factors when considering which plan is right for you. You may wish to consult with an independent financial advisor to better understand the complexities of taxation in retirement.

How to Elect Roth 457 Deferrals

The Plan anticipates that participants will be able to select Roth 457 deferrals as of March 2011. In order to select Roth 457 deferrals, participants need to access their account by either (1) visiting the Plan's Web site at nyc.gov/deferredcomp or (2) by calling (212) 306-7760 and pressing "1" for KeyTalk®.

We are pleased to offer you these programs and feel they are an excellent opportunity for you to save now for the future.

How is a Roth 457 different from a Roth IRA?

The benefits that can be provided by allowing you to make designated Roth contributions to an employer retirement plan can not be replicated on your own through a Roth IRA.

- High-income individuals (modified AGI of \$122,000 for single individuals, \$179,000 for married individuals) are not permitted to contribute to Roth IRAs. This restriction does not apply to Roth contributions made to a 457 or 401(k) plan.
- Designated Roth contributions to employer-sponsored plans are not subject to the substantially lower contribution limitations that apply to Roth IRAs:
 - Roth IRA - \$5,000 in 2011, or \$6,000 for people age 50 or older
 - Roth 457 - \$16,500 in 2011, or \$22,000 for people age 50 or older

Enhanced Investment Fund Descriptions

Plan participants will note more detailed explanations in the fund's descriptions on the Plan's web site of the Bond Fund and the Stable Income Fund. Please note that neither the investment guidelines, nor the criteria for those investment options has changed. However, their descriptions have been revised to enhance participants' understanding of how the managers of those funds actively manage the assets to maximize their returns on the one hand and manage their risks on the other.

Descriptions of the remaining funds similarly will be updated throughout the first half of 2011.

Visit the Plan's web site periodically at nyc.gov/deferredcomp to see the enhanced investment fund descriptions.

Maximum Annual Contribution Amount remains unchanged for 2011

The table below explains the most you can defer into the Deferred Compensation Plan in 2011 based on in which plans you participate and your age.

If you participate in the...	Your maximum contribution amount will be...
457	\$16,500
457 and are at least 50 years of age	\$22,000
401(k)	\$16,500
401(k) and are at least 50 years of age	\$22,000
457 and 401(k)	\$33,000
457 and 401(k) and you are at least 50 years of age	\$44,000
457 and Deferral Acceleration for Retirement (DAR)	\$33,000 (\$16,500 regular deferrals and \$16,500 in DAR deferrals, if applicable)
457, 401(k) and DAR	\$49,500
457, 401(k), DAR and you are at least 50 years of age	\$55,000

Understanding Your Form W-2

- The amount you contributed to the Deferred Compensation Plan in 2010 will be reflected in Box 12 of your 2010 Form W-2. There will be a code

About Your Investments

Year-End Reminders



“G” before the dollar amount. This letter represents 457 contributions. The code “D” before the dollar amount represents pre-tax 401(k) contributions. The code “AA” represents Roth 401(k) (after-tax) contributions. For income tax filing purposes, your adjusted gross income (reportable income) will be reflected in Box 1. THIS WILL HAVE ALREADY BEEN ADJUSTED BY 457 AND PRE-TAX 401(k) AMOUNT(S) IN BOX 12.

- If you received a distribution payment during 2010, you will receive a 2010 Form 1099-R from FASCore, the Deferred Compensation Plan’s recordkeeper.

Expecting a Distribution Check Soon?

Please note that if you make any account transfers immediately prior to the processing of your distribution, this will delay your check or Electronic Fund Transfer.

Payroll Deferral Notes

Are you contributing to the City’s 401(k) Plan and a 401(k) or 403(b) plan with another employer? You must ensure that your contributions to all 401(k)’s and 403(b)’s combined do not exceed \$16,500 in 2011.

Changing Agencies?

If you are changing agencies, you must complete a Change Form telling us the name of the new agency as soon as possible in order to avoid a break in your deferred compensation deductions. If you joined the Deferred Compensation Plan in lieu of paying FICA tax and experience a break in deductions due to an agency change, you may no longer meet the criteria for contributing to the Plan in lieu of FICA. You may be required to contribute to both until you re-qualify.

Changing your Address?

You must inform the Plan if you have a change of address. You can either complete a Change Form indicating your new address or make your change online. Using your PIN, go to the Account Access section of nyc.gov/deferred-comp or nyc.gov/nyceira. Once you’ve logged in, click on “Change your” on the left side of your screen. You will see a number of options. Click on “Personal Profile.” There you will be able to make changes to your address, as well as telephone and e-mail information. And don’t forget to change your beneficiaries’ address information, if they moved with you.

Changing Beneficiary Information

You can continue to use the Change Form to change the beneficiaries you designated to receive your account, or the amounts you want each beneficiary

to receive, but, you are required to have the form notarized. Make life simpler and make any beneficiary changes online.

Annual Report

The Plan no longer mails copies of The City of New York Deferred Compensation Plan / New York City Employee IRA Comprehensive Annual Financial Report to participants. The 2009 annual report is available online in the Forms and Download section of the Plan's web site at nyc.gov/deferredcomp.

Retiring Soon?

If you are retiring, please note that you are not required to make any decisions regarding the distribution of your account immediately at retirement. You are able to postpone withdrawals up until you reach age 70½, at which time you must begin taking your annual Required Minimum Distributions. To attend a Distribution Planning seminar to learn more about your distribution options, call (212) 306-5050 or register online at nyc.gov/deferredcomp.

Flexible Spending Accounts Program and 414(h) Pension Pick-up

- Box 14 of the Form W-2

Box 14 will contain the entry "IRC 125" which will represent the total pre-tax dollars used for paying health insurance premiums in the Medical Spending Conversion Program (MSC), the pre-tax dollars used for dependent care expenses in the Dependent Care Assistance Program (DeCAP), and the pre-tax dollars used for out-of-pocket medical expenses in the Health Care Flexible Spending Account (HCFSA).

The entry "IRC 414H" pertains to the pre-tax dollars used to pay pension contributions. These two dollar amounts in Box 14, IRC 125 and IRC 414H, are pre-tax for federal tax purposes, but not for New York State and New York City tax purposes. Consequently, they must be added back in the area designated for that purpose on the New York State tax return at the time you file your taxes.

- Box 10 of the Form W-2

If you participate in DeCAP, you will also see the amount set aside for this purpose listed in Box 10. You must also attach Form 2441 Child Dependent Care Expenses to your Form 1040. If you file Form 1040A, you must file a Schedule 2 form, as well. For New York State tax purposes, the DeCAP amount in Box 10 can be ignored since the same amount is included in the IRC 125 amount in Box 14. It is there for federal tax purposes as a record of dollars deferred for dependent care expenses.

Fund Manager Update

Listing of the Plan's Fund Managers as of December 31, 2010

Investment Options*	Listing of Managers within the Investment Options	Expense Ratios*
Stable Income Fund	ICMA Fiduciary Capital Management NISA Investment Advisors BlackRock Pacific Investment Management Company (PIMCO) Wellington Management Company, LLP	0.26%
Bond Fund	Pacific Investment Management Company (PIMCO) BlackRock	0.27%
Equity Index Fund	The Bank of New York Mellon (I)	0.06%
Socially Responsible Fund	Aberdeen Asset Management, Inc.	0.47%
Mid-Cap Equity Fund	State Street Global Advisors (I) Earnest Partners, LLC (V) Wellington Management Company, LLP (G)	0.52%
International Equity Fund	State Street Global Advisors (I) Mondrian Investment Partners, Ltd. (V) Baillie Gifford (G) Alliance Capital Management, LP (C)	0.34%
Small-Cap Equity Fund	State Street Global Advisors (I) Dimensional Fund Advisors, LP (V) T. Rowe Price Associates, Inc. (G) Wellington Management Company, LLP (C)	0.42%

Equity Funds' Style Indicators			
I	Index	G	Growth
V	Value	C	Core

* Expense ratios include investment management fees as well as a 0.05% administrative fee assessed against all Plan assets. The expense ratios shown above do not include the \$20 quarterly administrative fee.