

What are the different investment strategies offered through the NYCE IRA?

The NYCE IRA has the same low management fee investment options as the New York City Deferred Compensation Plan.

The NYCE IRA offers two different strategies for investing your money:

- (1) investing in one of the NYCE IRA's Pre-Arranged Portfolios, or
- (2) creating your own portfolio using a combination of the NYCE IRA's core investment options, which include the Stable Income Fund, Bond Fund, Equity Index Fund, Socially Responsible Fund, Mid-Cap Equity Fund, International Equity Fund, and Small-Cap Equity Fund.

Please refer to the core investment fund profiles (available online at nyc.gov/nyceira or by calling (212) 306-7760, or 1-888-IRA-NYCE, if outside NYC) for detailed information, including past performance.

What are the Pre-Arranged Portfolios?

The Pre-Arranged Portfolios consist of varying percentages of the NYCE IRA's core investment options listed above. The Pre-Arranged Portfolios are designed to meet your needs throughout your employment years (accumulation phase) and beyond. As you grow older, the portfolios roll down their equity exposure so the portfolios become more conservative. This helps to preserve your account so that it can serve you throughout your post employment years (payout phase).

Your choice of portfolios will depend on your current age and when you begin to take your payouts. You may begin to take distributions at any time.

For example, if you are 35 years old with a Traditional NYCE IRA account and want to remain in the accumulation phase for as long as possible before beginning your distributions, you would select the 2040 Fund and start taking your distributions under the Federal Required Minimum Distribution (RMD) rules at age 70½. However, if you know that you will be starting your distributions before age 70½, you might consider choosing a more conservative portfolio with fewer years to payout. If you have

a Roth NYCE IRA account, you are not subject to RMD rules.

Please refer to the Pre-Arranged Portfolio investment profiles (available online at nyc.gov/nyceira or by calling (212) 306-7760, or 1-888-IRA-NYCE if outside NYC, for detailed information, including past performance.

Can I change my investment allocation?

You can change the investment allocation of your future contributions by accessing KeyTalk® through the Plan's telephone voice response system at (212) 306-7760 or 1-888-IRA-NYCE, if outside NYC, or online at nyc.gov/nyceira. In order to access your account your PIN is required.

How do I transfer money between investment options?

Transfers between investment options can be made at any time either online at nyc.gov/nyceira, or by calling (212) 306-7760, or 1-888-IRA-NYCE, if outside NYC. Please note that your PIN is required in order to access your account.

If you make an account transfer prior to 4 p.m. Eastern Time, on a business day, it will be effective the same day and reflected in your account the following business day. If you make a change after 4 p.m. Eastern Time, it will be effective the next business day and reflected in your account two business days later.

Note: Transfers out of the International Equity Fund will be assessed a 2% redemption fee on the amounts transferred into the International Equity Fund within the previous thirty-two (32) calendar days. Any amounts held longer than thirty-two (32) consecutive calendar days will not be assessed the redemption fee. This is meant to strongly discourage frequent trading of the International Equity Fund.

Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information, you may obtain NYCE IRA Investment Profiles and disclosure documents from the NYCE IRA Web site at nyc.gov/nyceira. Read them carefully before investing.

Will I receive a NYCE IRA statement?

Yes, you will receive a quarterly NYCE IRA statement that reflects your account balance (both Traditional and Roth, if applicable) as of the end of each calendar quarter. If you are enrolled in the New York City Deferred Compensation Plan (NYC DCP), you will receive a statement regarding your NYCE IRA along with the NYC DCP statement you already receive.

Your NYCE IRA statement will show the following: (1) your balance in dollars (which reflects the amount you would have received if you had withdrawn from your NYCE IRA as of the statement closing date), and if applicable, in units; (2) your contributions; and (3) investment gains and losses experienced by the NYCE IRA during that specific quarter.

Statements are available during the month following the close of the quarter, and can either be mailed to you or viewed online by signing up for Online File Cabinet® by accessing your account through the Web site. Signing up for Online File Cabinet® is quick and easy to do. Just click on the view consent agreement link and review the Online File Cabinet® agreement. Check the electronic delivery option box and provide your e-mail address. That's all there is to it!

Below is a comparison of fees incurred in the City's Deferred Compensation Plan versus the fees incurred in a similar institutional class fund.

Fee Advantages of the Deferred Compensation Plan vs. Median Expense Ratio¹

<i>Fund</i>	<i>DCP Expense Ratio²</i>	<i>Institutional Expense Ratio³</i>	<i>Retail Expense Ratio³</i>
Stable Income Fund	0.17%	0.44% ⁴	0.86% ⁴
Bond Fund	0.29%	0.55%	0.84%
Equity Index Fund	0.04%	0.28%	0.42%
Socially Responsible Fund	0.29%	0.95%	1.11%
Mid-Cap Equity Fund	0.57%	1.00%	1.31%
International Equity Fund ⁶	0.50%	1.06%	1.42%
Small-Cap Equity Fund	0.42%	0.91%	1.30%
Total Weighted Average (Based upon 3/31/06 balances)	0.20% ⁵	0.54%	0.83%

Chart Prepared by Milliman USA

- ¹ Median Expense Ratio is taken from a universe of retail class mutual funds managed similarly to the Deferred Compensation Plan's option for each asset class as of 5/31/06.
- ² Includes the 0.03% administrative fee assessed on the investment funds.
- ³ Screening was done using a mutual fund database updated through 5/31/06 for the retail group. The expense ratios for all funds are those reported in the funds' most recent annual report as of 5/31/06.
- ⁴ Morningstar has discontinued the Stable Value Mutual Fund category. Ultra-short bonds were used as a proxy in this comparison.
- ⁵ The weighted average fee includes the \$50 annual administrative fee.
- ⁶ Foreign investments involve special risks, including currency fluctuations and political developments.

Selecting Your NYCE IRA Investments



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**New York City Employee
 Individual Retirement Account**