

# City of New York DEFERRED COMPENSATION PLAN



Everything you need to know about how the Deferred Compensation Plan works.

WELCOME

ENROLLING  
IN THE PLAN

ROLLING  
FUNDS INTO  
THE PLAN

WITHDRAWING  
FUNDS FROM  
THE PLAN

FINANCIAL  
PLANNING  
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TOP THINGS  
TO AVOID

# EVERYONE HAS RETIREMENT DREAMS. WHAT ARE YOURS?

The Deferred Compensation Plan gives you the tools and resources that support your retirement structure. Through the following set of links, you can learn everything you need to know about how the Deferred Compensation Plan works, as well as find helpful tips and education to assist you in navigating the Plan. Let the Deferred Compensation Plan take you to where you want to be in the future.

Our only interest is your interest!



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# ENROLLING AND INVESTING IN THE PLAN

Build the foundation of your financial future today through the New York City Deferred Compensation Plan. It's easy to sign up, and by starting now, you can begin to build potentially solid savings for yourself come retirement. By enrolling in the New York City Deferred Compensation Plan, you have access to:

- A wide range of investment options
- Educational materials and seminars
- Convenient online account information

And so much more!



## How to Choose a Plan and Invest: Pre-Tax or Roth

The New York City Deferred Compensation Plan has two programs, the **457 plan** and **401(k) plan**. You can choose to sign up for either the 457 or 401(k) plan, or both if eligible. As a City employee, you may also choose to invest in the **NYCE IRA**, which is an individual retirement account with no sales charges and low investment management fees. With each plan option, you can choose to invest your dollars on a pre-tax basis or through an after-tax Roth option. There are advantages to each option.



### PRE-TAX INVESTING

By choosing to invest pre-tax, you put off paying taxes on the amount you contribute, which lowers your taxable income and allows you to potentially grow your retirement savings tax-free. You'll have to pay taxes upon distribution, but by that time you may be in a lower tax bracket.

### AFTER-TAX INVESTING (ROTH OPTION)

If you decide to invest in the after-tax Roth 401(k) or Roth 457, you pay taxes up front on your contributions, but your earnings have the potential to grow tax-free—and you pay no taxes on your earnings for qualified distributions.

## How to Choose a Deferral Amount

Deciding how much to contribute to the Plan will have significant influence on how much you accumulate in your account over time. By using the Account Computation Software here:

[▶ http://www.nyc.gov/html/olr/html/deferred/dcp\\_planning\\_tools.shtml](http://www.nyc.gov/html/olr/html/deferred/dcp_planning_tools.shtml)

you can see how different deferral amounts can have a dramatic effect on how much you could potentially have in your account by the time you retire.

Should you invest in the 457 plan, you may have the option to utilize Deferral Acceleration for Retirement (DAR). This provision allows eligible 457 plan participants nearing retirement to contribute double the regular maximum annual contribution amount in order to make up for missed contributions from prior years.

The most important thing is to start saving right away, because waiting even one year can make a big difference in the amount you could potentially have in your account when you retire.

▶ VIEW ACCOUNT  
COMPUTATION  
SOFTWARE

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## How to Choose Investment Options

When enrolling in the Plan, you can choose to select from one of the Plan's Pre-Arranged Portfolios or you can choose to create your own portfolio using the Plan's wide variety of core investment options.

### PRE-ARRANGED PORTFOLIOS

The Pre-Arranged Portfolios are comprised of a pre-mixed set of the Plan's core investment options that are professionally managed and rebalanced over time<sup>1</sup>. These portfolios are designed to manage risk and provide you with a more conservative investment mix as you get closer to starting distribution payments. If this option is right for you, you should use either your age or the number of years until you expect to begin distribution payments as a guide for choosing your Pre-Arranged Portfolio.

### CREATE YOUR OWN PORTFOLIO FROM CORE INVESTMENT OPTIONS

If you'd rather pick the funds and manage them yourself, you have the option to choose from a variety of funds within the Plan's core investment options. Funds in the core investment lineup include the stable income fund, bond fund, equity index fund, socially responsible fund<sup>2</sup>, mid-cap equity fund<sup>3</sup>, international equity fund<sup>4</sup>, and small-cap equity fund<sup>3</sup>. Click here:

[http://www.nyc.gov/html/olr/html/shared/shared\\_core\\_options.shtml](http://www.nyc.gov/html/olr/html/shared/shared_core_options.shtml)

to see profiles of each of the fund options.

<sup>1</sup> Rebalancing does not ensure a profit and does not protect against loss in declining markets.

<sup>2</sup> Specialty funds invest in a limited number of companies and are generally non-diversified. As a result, changes in market value of a single issuer could cause greater volatility than with a more diversified fund.

<sup>3</sup> Equity securities of small and medium-sized companies may be more volatile than securities of larger, more established companies.

## How to Select a Beneficiary

An important step in your retirement planning includes ensuring stability for your loved ones by selecting a beneficiary. It's a simple and quick process that helps you prepare for life's uncertainties and ensures that your assets will pass on as intended. You can either select a beneficiary online or fill out a paper form and return it to the Plan's administrative office.

Educational services for the New York City Deferred Compensation Plan are provided by Registered Representatives of GWFS Equities, Inc. an affiliate of FASCore, LLC. 09/2011 PT133004

### PRE-ARRANGED PORTFOLIOS



### CREATE YOUR OWN PORTFOLIO

Stable Income Fund  
Bond Fund  
Equity Index Fund  
Socially Responsible Fund<sup>1</sup>  
Midcap Equity Fund<sup>2</sup>  
Smallcap Equity Fund<sup>2</sup>  
International Equity Fund<sup>3</sup>



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## How to Enroll in Your New York City Deferred Compensation Plan

You can enroll in the Deferred Compensation Plan in two ways: 1) via the Plan's website at

▶ <http://www.nyc.gov>” [www.nyc.gov/deferredcomp](http://www.nyc.gov/deferredcomp)

or 2) by filling out a paper form and returning it to the Plan's administrative offices.

### ONLINE ENROLLMENT

Using your Social Security number, go online at

▶ <http://www.nyc.gov/deferredcomp>

and request enrollment materials. You will receive a Personal Identification Number (PIN)<sup>1</sup> and the Plan's Summary Guide of 457 & 401(k) Plan Provisions. Once you receive your PIN, return to the Plan's website to complete your enrollment by selecting your deferral percentage amount, your investment allocation, and your beneficiaries.

### PAPER ENROLLMENT

You also have the option of enrolling by filling out a paper form. On the paper form, you will need to fill out your personal information. From there, you can elect your deferral percentage amount, investment allocation, and beneficiary election information. Once completed, you can turn in your enrollment form to the Plan's administrative office.

Once you've enrolled in the Plan, it will take between 30 and 45 days for payroll deductions to begin. After that, you can change your deferral percentage or other account elections by accessing your account online at

▶ [http://www.nyc.gov/html/olr/html/deferred/dcp\\_enroll.shtml](http://www.nyc.gov/html/olr/html/deferred/dcp_enroll.shtml)

or by dialing (212) 306-7760 and pressing “1” for KeyTalk<sup>®</sup>.

<sup>1</sup> The account owner is responsible for keeping the assigned PIN confidential. Please contact your plan's administrative office immediately if you suspect any unauthorized use.

<sup>2</sup> Access to KeyTalk<sup>®</sup> and the website may be limited or unavailable during periods of peak demand, market volatility, systems up-



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## ROLLING FUNDS INTO THE PLAN

You're on your way to building a solid foundation for your retirement, so why not make things as simple as possible by consolidating your funds into one account—the NYCE IRA. There are many benefits to consolidation! For starters, you can have a one-stop-shop for everything retirement-related. Why manage multiple accounts when you can have your funds readily available in a single spot with one easy-to-read statement? Should you have a spouse, he or she can consolidate funds into the NYCE IRA too, making both of your lives less complicated.

Through the NYCE IRA, you have the opportunity to choose both Traditional and Roth IRA options. What's the difference? The Traditional NYCE IRA has the potential to reduce your annual income taxes, and with the Roth NYCE IRA, you never pay income taxes on the earnings on qualified distributions.

With the NYCE IRA, you can easily build your retirement strategy through a familiar set of investment options, including a stable value fund option, all at a low cost to you. The NYCE IRA is an institutionally priced plan, as opposed to a retail plan that can carry higher fees. The investment management fees are low. There are no commissions or sales charges – our only interest is your interest. Low priced, simple and straightforward, the advantages of the NYCE IRA are clear.

### Rollover Instructions

How do you roll your funds over to the NYCE IRA? It's easy!

Just complete the New York City Employee IRA Transfer/Rollover Form indicating the type of rollover. Remember, you must establish your NYCE IRA account prior to the rollover.

You should consider the types of funds you are rolling into an IRA carefully. If you are under age 59<sup>1/2</sup>, you may not want to roll your 457 assets into an IRA because these monies will become subject to a 10% penalty if withdrawn prior to that age. You may want to leave those assets in the 457 Plan. There is no additional administrative fee for having more than one Plan account.

Also, if you are rolling over a Final Pension Payment or loan, you will want to consider the Special Rollover 401(k) account because this account has been set up to take into consideration the unique tax situation regarding these assets. Click below for more information regarding the NYCE IRA account option or other rollover details

[▶ http://www.nyc.gov/html/olr/html/nyceira/nyceira\\_funding.shtml](http://www.nyc.gov/html/olr/html/nyceira/nyceira_funding.shtml)

or click below to download the rollover form:

[▶ http://www.nyc.gov/html/olr/downloads/pdf/nyceira/ira\\_transfer\\_direct\\_rollover.pdf](http://www.nyc.gov/html/olr/downloads/pdf/nyceira/ira_transfer_direct_rollover.pdf)

Make the Deferred Compensation Plan the keystone of your retirement by rolling your other retirement accounts into the NYCE IRA today.

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FOR YOUR RETIREMENT**



**NEW YORK CITY EMPLOYEE IRA  
Transfer/Rollover Forms**

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# WITHDRAWING FUNDS FROM THE PLAN

You've taken advantage of the New York City Deferred Compensation Plan and are building the blocks to your retirement future, but you may be asking: What are my withdrawal options? The Deferred Compensation Plan offers several types of withdrawals for participants in either the 457 or 401(k) Plan. Some withdrawals for plan account types may differ slightly but are permitted for the following situations:

## Permissive Withdrawals



### HARDSHIP

Should you experience an emergency or financial circumstance that complies with IRS guidelines, you have the option of applying for a hardship withdrawal. Click here for an application:

▶ [http://www.nyc.gov/html/olr/html/forms/forms\\_and\\_dl.shtml](http://www.nyc.gov/html/olr/html/forms/forms_and_dl.shtml)



### SEVERANCE OF SERVICE

After you complete service with the City, you will not be able to make further contributions to your account—but will have the option to either withdraw your funds or keep them with the Plan. Please keep in mind that 457 and 401(k) plan types have different tax implications and rules. Click here for the guide and form:

▶ [http://www.nyc.gov/html/olr/html/forms/forms\\_and\\_dl.shtml](http://www.nyc.gov/html/olr/html/forms/forms_and_dl.shtml)



### SMALL ACCOUNT WITHDRAWAL (APPLICABLE TO 457 PARTICIPANTS ONLY)

You are allowed to take a small account withdrawal from your 457 account if you meet the following criteria:

- Your total account balance does not surpass \$5,000;
- You have not made any contributions to the Plan during the two-year period ending on the date of withdrawal; and
- You have not taken a prior small account withdrawal.

Click here for the guide and form:

▶ [http://www.nyc.gov/html/olr/html/forms/forms\\_and\\_dl.shtml](http://www.nyc.gov/html/olr/html/forms/forms_and_dl.shtml)



### IN-SERVICE WITHDRAWAL UPON ATTAINMENT OF SPECIFIED AGE CRITERIA:

While still working for the City, you have the option of withdrawing funds from the Plan if you reach:

- Age 70 for 457 participants or;
- Age 59 for 401(k) participants.

Click here for the guide and form:

▶ [http://www.nyc.gov/html/olr/html/forms/forms\\_and\\_dl.shtml](http://www.nyc.gov/html/olr/html/forms/forms_and_dl.shtml)

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## Permissive Withdrawals (CONTINUED)



### 457 PENSION BUYBACK

457 participants have the option of using their deferred compensation plan account as a source of funding for the purchase of permissive service credits in their pension systems via trustee-to-trustee, tax-free transfers. Click here for a form

[▶ http://www.nyc.gov/html/olr/html/forms/forms\\_and\\_dl.shtml](http://www.nyc.gov/html/olr/html/forms/forms_and_dl.shtml)



### LOANS

If you are an active employee, you have the option of taking a loan from your pre-tax 457 or 401(k) account. Click here for the guide and form

[▶ http://www.nyc.gov/html/olr/html/forms/forms\\_and\\_dl.shtml](http://www.nyc.gov/html/olr/html/forms/forms_and_dl.shtml)



### BENEFICIARY DISTRIBUTION

Your elected deferred compensation plan beneficiary is eligible to take distributions from your account due to your death.

Click here for the guide and form

[▶ http://www.nyc.gov/html/olr/html/forms/forms\\_and\\_dl.shtml](http://www.nyc.gov/html/olr/html/forms/forms_and_dl.shtml)

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## Withdrawals Procedures

Now that you've learned about the different types of permissive withdrawals in the Deferred Compensation Plan, let's take a look at your withdrawal options. As required by the IRS, you must take a required minimum distribution by April 1st of the year following the year you reach age 70. The following withdrawal options are available to you:



### FULL WITHDRAWAL (LUMP SUM PAYMENT)

WA distribution of your entire account balance in a single lump sum payment.



### AMOUNT CERTAIN

A distribution of the portion of your account that you specify



### PERIODIC PAYMENTS

Distributions made over regular intervals totaling your entire account balance. You can elect to have periodic payments made monthly, quarterly, semi-annually or annually.



### AMOUNT CERTAIN WITH PERIODIC PAYMENTS

An initial distribution of an amount that you specify followed by distributions made over regular intervals totaling your entire remaining account balance.

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## Withdrawals Procedures (CONTINUED)

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### LIFE EXPECTANCY

You can set up monthly payments based on your life expectancy, determined by the life expectancy tables that are recalculated yearly.



### CONVERSION FROM PRE-TAX TO ROTH NYCE IRA

Participants invested in pre-tax plans have the option to make a conversion to the Roth NYCE IRA.

Contact the Plan to schedule an appointment with a Client Service Representative or attend a free Distribution Planning seminar to better understand your options. Complete a Participant Distribution Form, which is available on the Plan's website, in order to request a distribution from your account here:

<http://www.nyc.gov/html/olr/downloads/pdf/deferred/distgpdf.pdf>

# FINANCIAL PLANNING SEMINARS

Did you know that the Deferred Compensation Plan has an assortment of free financial planning seminars that can give you the tools to build a sound financial future? Given by salaried Certified Financial Planners who do not sell products or earn commissions, the seminars help you understand where the Deferred Compensation Plan fits into your total financial picture. The seminars assist you in making sure that you have a plan in place for each aspect of your financial life. Below is a quick synopsis of each seminar's subject matter. And be sure to log in to view the seminar schedule so you can attend one of the seminars in the near future!

View Seminar Schedule:

 [http://www.nyc.gov/html/olr/html/deferred/dcp\\_seminar\\_calendar.shtml](http://www.nyc.gov/html/olr/html/deferred/dcp_seminar_calendar.shtml)

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## BASICS OF DIVERSIFIED INVESTING

At the Diversified Investing Seminar, learn about the various types of investments, the benefits of diversification, and how to avoid common investing traps.



## DISTRIBUTION PLANNING

At the Distribution Planning seminar, learn about the various payout options you have so you can secure your retirement years with your Deferred Compensation Plan accounts.



## ESTATE PLANNING

At the Estate Planning seminar, learn how assets are transferred, and the different forms of property ownership, to ensure that the maximum value will reach your intended beneficiaries.



## MONEY & CREDIT

At the Money & Credit seminar, learn how to make a budget and manage your debt, understand your credit report and credit score.

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### RETIREMENT PLANNING

At the Retirement Planning seminar, learn what to keep in mind when starting your retirement savings and how Deferred Compensation fits into your retirement goals.



### SOCIAL SECURITY AND MEDICARE

At the Social Security and Medicare seminar, learn about the various Social Security programs, and the hierarchy of health insurance benefits for City employees



### TAX PLANNING

At the Tax Planning seminar, learn about the tax benefits of the Deferred Compensation Plan and NYCE IRA, as well as the flexible spending programs, which can reduce your current and future income taxes



### ELDERCARE

At the Insurance Planning seminar, learn how insurance can protect or reduce our exposure to the various risks we face.



### INSURANCE PLANNING

At the Insurance Planning seminar, learn how insurance can protect or reduce our exposure to the various risks we face.



### COLLEGE PLANNING

At the College Planning seminar, learn about the various college savings vehicles, grants, scholarships and loans, and the financial aid process.

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## TOP THINGS TO AVOID

We understand that you may run into unexpected circumstances on your journey to retirement; however, there are a few things that you can avoid so that cracks do not form in your retirement foundation.

### Taking a Loan

You have the option to take a loan from your pre-tax 457 or 401(k) account, but remember that there may be more negative consequences versus advantages of taking a loan.

- Loans reduce your account balance, affecting your savings growth and earnings potential.
  - Your loan re-payment is made with after-tax dollars, not pre-tax like your original contribution.
  - Should you sever service with the City, any outstanding loans will become immediately due and pay
- Be careful, and weigh all of your options before deciding whether taking a loan is the right way to go.



### Rolling Money Out of the Plan

Your Deferred Compensation Plan is a low-cost Plan with several advantages over retail IRAs:

- No sales charges,
- Low investment management fees, and
- No commissions

Keep your retirement assets in one convenient place, the Deferred Compensation Plan. Remember, our only interest is your interest!



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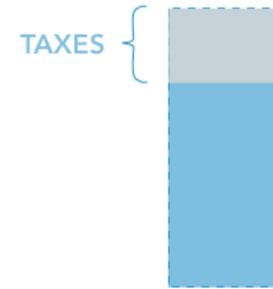
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## Taking a Lump-Sum Tax Hit

When you take a full withdrawal, you are responsible for paying taxes on the entire amount if you are invested in a pre-tax plan. It may be better to consider these other withdrawal options that will allow your assets to continue growing tax deferred until you need it!

- Receive periodic payments,
- Receive an amount certain with periodic payments, or
- Receive payments over your life expectancy.



## Not Paying the FICA Tax

If you are contributing to the Deferred Compensation Plan instead of paying FICA tax, you not only potentially reduce your Social Security benefits, but you also run the risk of becoming ineligible for Social Security disability. It's to your benefit that you contribute to both.

