

Deferred Comp/NYCE IRA

UPDATE

The Newsletter for the 457 and 401(k) Plans and the NYCE IRA



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- ◆ 2021 Annual Contribution Limits
- ◆ Year-End Reminders
- ◆ Important Tax Information Regarding Coronavirus Related Distributions (CRD)

Annual Contribution Limits Remain Unchanged for 2021

Maximum Annual Contribution Amounts Remain the Same for 2021

The table below explains the most you can defer into the Deferred Compensation Plan in 2021, based on which plans you participate in and your age.

<i>If you participate in the...</i>	<i>Your maximum contribution amount will be...</i>
457	\$19,500
457 and are at least 50 years of age	\$26,000
401(k)	\$19,500
401(k) and are at least 50 years of age	\$26,000
457 and 401(k)	\$39,000
457 and 401(k) and you are at least 50 years of age	\$52,000
457 and Deferral Acceleration for Retirement (DAR)	\$39,000 (\$19,500 regular deferrals and \$19,500 in DAR deferrals, if applicable)
457, 401(k) and DAR	\$58,500
457, 401(k), DAR and you are at least 50 years of age	\$65,000
NYCE IRA	\$6,000
NYCE IRA and are at least 50 years of age	\$7,000

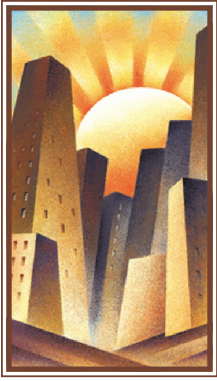
Year-end Reminders

Understanding Your Form W-2

The amount you contributed to the Deferred Compensation Plan in 2020 will be reflected in Box 12 of your 2020 Form W-2.

- The code "G" before the dollar amount represents pre-tax 457 contributions.
- The code "EE" represents Roth 457 (after-tax) 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 PRE-TAX 457 AND PRE-TAX 401(k) AMOUNT(S) IN BOX 12.



Did You Receive a Distribution from the Plan in 2020?

If you received a distribution payment during 2020, you will receive a 2020 Form 1099-R from the Plan's recordkeeper, Voya Financial.

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 \$19,500 in 2021. If you contribute to the City's 401(k) Plan and the VDC Program, combined contributions (employee and employer) cannot exceed \$58,000 in 2021.

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 sign into your account through the Plan's Web site at nyc.gov/deferredcomp to make your change online. 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 annual report is available online in the Forms and Download section of the Plan's web site at nyc.gov/deferredcomp.

Leaving City Service Soon?

If you are retiring or leaving City service, please note that you are not required to make any decisions regarding the distribution of your account immediately. You are able to postpone withdrawals up until you reach age 72, at which time you must begin taking your annual Required Minimum Distributions.

To attend a Distribution Planning webinar to learn more about your distribution options, call (212) 306-5050 or register online at nyc.gov/deferredcomp.

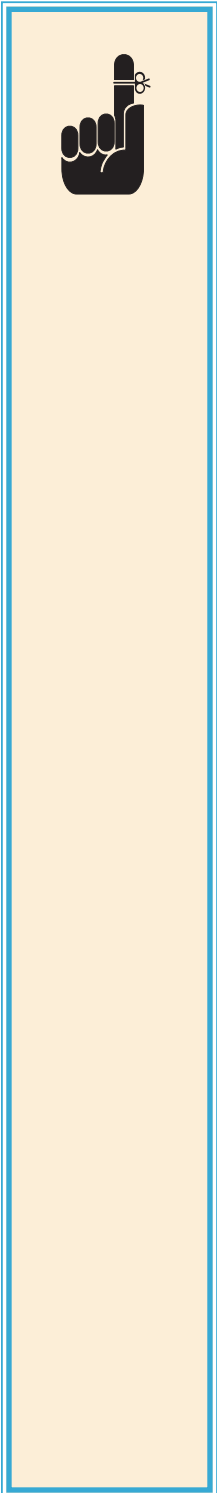
Contributing to the NYCE IRA for 2020?

Contributions to the New York City Employee (NYCE) IRA should be sent directly to the NYCE IRA lockbox. Visit nyc.gov/nyceira to download the Deposit Form, which includes payment and mailing/wiring instructions. Checks must be received in the lockbox no later than 3 business days prior to the tax filing deadline (excluding extensions).

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 or VDC Program 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.



Important Tax Information regarding Coronavirus Related Distributions (CRD)

In 2020, Coronavirus Related Distributions (CRDs) were offered by the Plan, pursuant to the Coronavirus Aid, Relief and Economic Security Act of 2020 ("CARES Act") and the subsequent IRS Notice 2020-50 and Notice 2020-51, to qualified individuals.

Inclusion of the Taxable Portion of the CRD in Income

The CRD was not subject to the 20% mandatory federal tax withholding, and as such, participants could elect not to withhold any tax. Pursuant to CARES Act, the Plan must report the entire CRD on a Form 1099-R for tax year 2020. Generally, a CRD is included in a qualified individual's income in equal amounts over 3 years. However, the CARES Act allows qualified individuals to elect to include the entire amount in the year of the distribution.

Please note that this election cannot be made or changed after the timely filing of the individual's federal income tax return (including extensions) for the year of the distribution. For additional information regarding the tax effect of the CRD and reporting on your federal income tax return, please speak with your tax preparer or advisor.

Recontribution of CRD

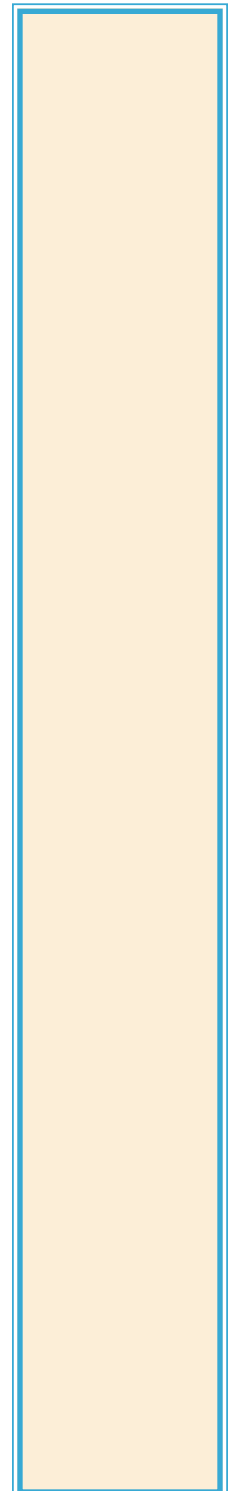
As stated above, the entire CRD must be reported on a Form 1099-R for tax year 2020 but may be included in income ratably over 3 years. For example, an individual who withdraws \$30,000 in 2020 may report \$10,000 of income in 2020, 2021, and 2022. However, any amounts recontributed to the Plan reduce the amount of the CRD included in taxable income in the year of recontribution and may be eligible to be carried back to prior tax years.

A qualified individual may recontribute all or part of the CRD to the Plan (or another eligible retirement plan) within 3 years, beginning after the date the CRD was received. Amounts that are recontributed are treated as a trustee-to-trustee transfer and are not included in income.

Qualified individuals will use Form 8915-E to report a CRD and any recontribution made prior to filing their return. Form 8915-E also is used to determine the amount of the CRD includible in income for the tax year. Please consult with your tax advisor for further information on making a recontribution to the Plan.

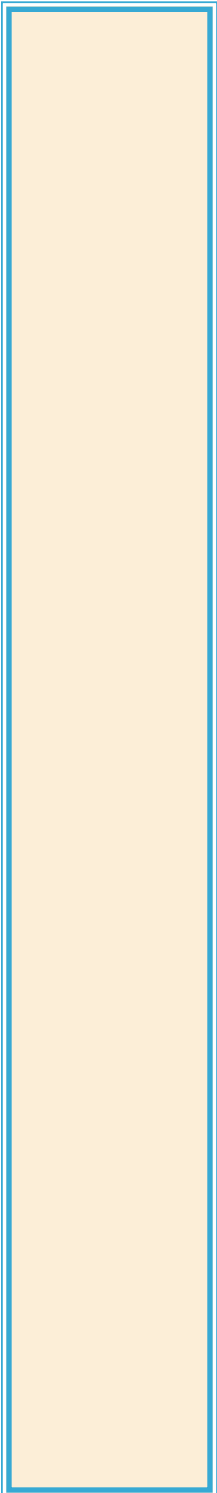
Please be advised, any CRD paid to a qualified individual as a beneficiary of a participant of the Plan or NYCE IRA (other than the surviving spouse) cannot be recontributed.

For further information and to obtain a copy of the CARES Act Recontribution Form, please go to the Plan's website at nyc.gov/deferredcomp. In addition, we encourage you to attend a Deferred Compensation Plan Distribution Planning Webinar. To attend the free webinar, please call (212) 306-5050 or register online at nyc.gov/deferredcomp.





This information does not constitute the offering of investment, financial, tax or legal advice or other expert advice. The material contained in this newsletter is for informational purposes only. You may wish to consult an investment advisor, tax advisor or legal counsel or other expert before reaching any decisions.



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