

# Explore

Your Distribution Options

*The Journey Starts Here*



**CITY OF LOS ANGELES** DEFERRED COMPENSATION PLAN

*Distribution Guide*

# Important Information



## Local Service Center

City Hall  
200 North Spring Street  
Room 867 (Benefits Office)  
Los Angeles, CA 90012

## Hours

8:00 a.m. - 4:00 p.m.,  
Monday through Friday (except holidays)

## Website<sup>1</sup>

LA457.com

## Participant Services<sup>1</sup>

844-523-2457  
Voya Financial  
8900 Prominence Parkway  
Jacksonville, FL 32256-8264

## LA457.com<sup>1</sup>

### Around-the-clock access to your account

- Review account balances and fund values.
- Make changes to your contributions or investment options.
- Analyze your personal risk tolerance and evaluate model portfolios.
- Review fund information, including prospectuses and annual and semi-annual reports.
- Access the Retirement Calculator.
- Change your beneficiary.

<sup>1</sup> Access to Participant Services and/or any website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons. Transfer requests made via the website and/or Participant Services received on business days prior to close of the New York Stock Exchange (1:00 p.m. Pacific Time or earlier on some holidays or other special circumstances) will be initiated at the close of business the same day the request was received. The actual effective date of your transaction may vary depending on the investment option selected.

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# You Are Here

## I've Decided to Retire . . . What Do I Do Now?

**Congratulations on your retirement! Yes, you can stay - you do not have to move your money out of the City Plan when you retire or terminate employment. The money you have accumulated through your City of Los Angeles Deferred Compensation Plan account becomes available to you upon your retirement or severance of employment. You can leave your money in the Plan, and we can help you with your distributions. You benefit from "strength in numbers" by being part of a large group plan. With more than \$6 billion in assets, the Plan can negotiate competitive investment and administrative costs, and there are no sales costs associated with any of the Plan's core investment options. This means that more of your money is working for you in your Plan account rather than going toward fees.**

## Payment Options

You have a selection of payment options to choose from, and you will find more information on each of these in the following pages:

- Defer Distribution**
- Full and Partial Distribution Payments**
- Installment Payments**

The City of Los Angeles Deferred Compensation Plan offers you flexibility in deciding when to take a distribution and how much to take from your account.

### **This means that:**

- You do not have to elect a specific distribution method or begin date when you retire.
- You have the opportunity to change your distribution election should your needs change in the future. Please keep in mind that full distributions are irrevocable once processed by Voya Financial.

### **You are eligible to receive distributions of pre-tax contributions and any earnings from your Plan account under the following qualifying events:**

- Retirement
- Severance of employment

### **For distributions of Roth contributions and any earnings, the above qualifying events apply in addition to the following:**

- You've held the Roth account for five years
- You are age 59½ or older

Please study the distribution options in this booklet carefully in order to choose the one that best suits your financial needs. If you need assistance, contact the Service Center at 844-523-2457. You can also visit with a Retirement Counselor at the local Service Center. We strongly urge you to consult with an accountant, financial planner and/or tax advisor before making your final decision. While our counselors are able to explain the options to you, they are not able to tell you which payout or tax withholding method is best for you in light of your overall financial situation. It is a good idea to start your planning about three months before your anticipated retirement or termination date.

# You Are Here *(continued)*

## Reminder

Please remember to inform Voya Financial of any address and beneficiary changes as soon as possible. To change your address, call the Service Center and say "Update My Information" to update your address and phone number. To change your beneficiary, log in to the website at LA457.com and click on Personal Info, then Beneficiary Information. You can also call Participant Services to order a Beneficiary Designation Form.

## Timeline



FOR ILLUSTRATIVE PURPOSES ONLY. This is only an example of how your timeline may occur. It may vary depending on the option(s) you choose.

**PLEASE NOTE: IF YOU HAVE FUNDS INVESTED IN THE SELF-DIRECTED BROKERAGE OPTION, PLEASE REFER TO THE SELF-DIRECTED BROKERAGE SECTION FOR ANY SPECIAL RULES THAT MAY APPLY TO YOUR DISTRIBUTION REQUEST.**

# What Are My Choices?

## Defer Distribution

### Postpone Your Distribution Until Later

You can defer receipt of your entire account balance. To do this, you do not need to inform Voya Financial or the City of your intention to wait. Your contributions to the Plan will stop automatically after the last normal paycheck you receive from the City.

If you choose this option, the balance of your account and any earnings on it will continue to potentially accumulate, and you will continue to be able to transfer balances among the various investment options available in the Plan until you begin taking distributions. All Plan fees will still apply. However, you are no longer able to make contributions to your account. You must begin receiving your required minimum distribution by April 1 of the year following the year in which you reach age 72 or sever employment with the City, whichever occurs later. See Page 6 for more information on required minimum distribution rules.

When you are ready to receive a distribution, you can review the payout options available at that time. If you have already elected a payout method for a future payout date, you may change this distribution method up to 30 days prior to the payout date.

## Distribution Payment Options

### Full Distribution

If you select a full distribution, the full vested value of each investment account will be paid to you in a single sum. Voya Financial

liquidates the funds from all the investment options in which you have a balance and sends you one check.

If your full distribution is taken from your pre-tax account, it is fully taxable to you in the year the funds are distributed. Federal income tax is withheld at a rate of 20% of the gross amount. State income tax will be withheld as applicable.

If your distribution is taken from your Roth account, it is tax-free provided you meet the qualifying events for a Roth distribution (see Page 3). See Page 7 for further details on taxation.

**Taking a loan from your Plan account is not considered a distribution option. However, it is an option for participants and retirees looking to fill a short-term need for funds. These funds and the interest charged on the loan are then paid back to your account, where they become available for your use at a later date or upon retirement. Please review the Plan Loans flyer or visit LA457.com for more information about loans.**

# What Are My Choices? *(continued)*

## Partial Distribution

You may elect to take a portion of your balance as a distribution. A single payment, via direct deposit to your checking or savings account or check by mail. For pre-tax distributions, this option is fully taxable to you in the year the funds are distributed. Federal income tax is withheld at a rate of 20% of the gross amount. State income tax will be withheld as applicable. For Roth distributions, this option is tax-free as long as you meet the qualifying events on Page 3. See Page 7 for further details on taxation. If you wish to receive an additional partial payment, complete a Distribution Request Form for the amount you wish to receive.

**If you are currently receiving an installment payment and wish to change or cancel it, please complete the Installment Form to update your account.**

**Please allow about 30 days for changes to take effect.**

## Installment Payment Options

### Installment Payment of a Specified Amount

You designate the dollar amount that you wish to receive on a regular basis (monthly, quarterly, semiannually or annually). Payments to you will continue until your account balance is zero. The number of payments you receive will vary depending on the rate of return of your investments. The installment payments must be structured so they will deplete your account over a time period not to exceed your life expectancy.

### Installment Payment for a Specified Time Period

With the Specified Time Period payment option, you will receive payments on a regular basis (monthly, quarterly, semi-annually or annually). Payment amounts depend on the length of time you choose to receive payments, the time period that you choose and the rate of return of your investment options. Your payment amount is calculated by dividing your current account balance by the number of remaining payments.

Your payment is recalculated each time a payment is distributed; therefore, your payment will not be the same amount each time. The payment amount will depend on the account value, which may fluctuate depending upon what your funds earn in the investments that you have chosen. With this payment method, your balance will be zero by the end of the term you select. The installment payment must be structured so it will deplete your account over a time period not to exceed your life expectancy.

### Combination Options

At the time you elect your distribution method, you can specify a combination of payment options for portions of your account balance.

### Partial and Installment Payment

You can withdraw less than 100% of your balance for a partial payment after severance of employment and then also elect an installment payment for the remaining balance. This option allows you to keep your remaining balance in the investment options available under the Plan.

### Installment Payment and Future Partial Distributions

If you elect to receive an installment payment and in the future wish to receive a partial payment from your balance, you will need to complete the Distribution Request Form to receive the partial payment. The partial payment does not affect your installment payment schedule.

# Required Minimum Distributions

In order to comply with IRS regulations, you must receive at least the Required Minimum Distribution (RMD) amount by your required beginning date (RBD). Your RBD is April 1 of the year following the year in which you reach age 72 or sever employment with the City of Los Angeles, whichever occurs later. If you wait until April 1 of the calendar year following the calendar year in which you reach age 72, you will be required to take a second distribution by December 31 of the same calendar year.

- To satisfy your RMD, Voya Financial will send you a letter stating what the RMD is for the year. You have the option to take the RMD at that time. If no action is taken Voya will automatically process your RMD by April 1 following the year you turn age 72. Subsequent distributions will be automatically processed by December 31 to satisfy the annual RMD.

## You can choose from several payment options to meet the RMD:

- Full Distribution. If you take a single distribution of your entire account balance on or before your RBD, you will meet the RMD.
- Partial Distribution. You may elect to take a partial distribution each year in an amount sufficient to meet the RMD. Voya Financial can help you calculate your RMD amount.
- Installment Payments. You may elect installment payments from your account for a fixed dollar amount or for a fixed number of years. However, neither payment selection may exceed your life expectancy.

**The IRS can impose a 50% excise penalty on amounts that should have been distributed under the RMD but were not. While Voya Financial can provide assistance with calculating your minimum distribution amount, it is ultimately your responsibility to ensure that you meet the RMD. We strongly advise you to consult with a tax advisor.**

**The IRS may impose a penalty tax on amounts that are not distributed as and when required under the Internal Revenue Code. Voya Financial does not assume any responsibility or liability for ensuring that distributions are elected in a timely manner. The participant is solely responsible for ensuring that distributions are elected in a timely manner.**

# Death Claims

Your elected beneficiary will receive any remaining funds in your account upon your death. The following table illustrates the options available to your beneficiary upon your death. Your beneficiary has the same flexibility with distributions as you do. See Page 3 for details.

**Please remember to inform Voya Financial of any beneficiary changes as soon as possible. To change your beneficiary, log in at [LA457.com](http://LA457.com) and select the *Personal Information* tab at the top of the page, select *Beneficiary Information*, then select *Add/Edit Beneficiary*. You can also call the Service Center to order a Beneficiary Designation Form.**

## Balance may be received in one of the following ways:<sup>4</sup>

	<b>BENEFICIARY IS SPOUSE ONLY</b>	<b>BENEFICIARY IS NON-SPOUSE</b>	<b>BENEFICIARY IS NON-INDIVIDUAL</b> <small>(i.e., estate, trust, charity, etc.)</small>
Defer Payment	Yes	Yes	No
Full Distribution	Yes	Yes	Yes
Partial Distribution	No	No	No
Installment Payments	Yes <sup>5</sup>	Yes <sup>5</sup>	Yes <sup>5</sup>
Roll Over to Another Plan	Yes	Yes <sup>6</sup>	No

<sup>4</sup> This table applies upon the death of a participant.

<sup>5</sup> The IRS requires beneficiaries to take a minimum payment based on a period of no longer than the beneficiary's life expectancy. Rules may vary depending on the type of beneficiary. Please contact your representative for further details.

<sup>6</sup> Non-spouse beneficiaries may only roll over balances into an inherited IRA. If the non-spouse beneficiary does not elect periodic payments, distribution is required within 10 years of the date of death for balances that are rolled over into an inherited IRA.

# Taxes

## Taxation of Distributions

The Internal Revenue Code considers all distributions from section 457(b) deferred compensation plans to be ordinary income. You must include any distribution received in your gross income in the year of distribution. Section 457(b) distributions have no special tax treatment (such as the five- and 10-year income averaging). The death benefit exclusion does not apply to distributions from section 457(b) plans.

## Tax Withholding Rules

Distributions of pre-tax contributions and any earnings from a section 457(b) deferred compensation plan are considered to be regular taxable income by the Internal Revenue Code. The regulations require that federal income tax be withheld from eligible rollover distributions at a rate of 20% of the gross amount you request. State income tax withholding is applicable as mandated by your state of residency. You may elect to have more tax withheld. Depending upon your personal circumstances, you may or may not owe additional income tax on your distribution(s) when you file your tax returns.

Special note for participants electing a periodic payment that will last 10 years or longer: You can submit an IRS Form W-4P, Withholding Certificate for Pension or Annuity Payments, to elect withholding that is appropriate for your tax situation. If a W-4P is not submitted with your request, Voya Financial will default your federal income tax withholding to a status of married with three allowances. You may obtain a W-4P by calling the IRS at (800) TAX-FORM or by visiting [www.irs.gov](http://www.irs.gov).

Taxes are not applied to Roth 457 Plan account distributions as long as the distributions meet the qualifying requirements you've held the account for five years and are at least age 59½. If your Roth distributions are not qualified distributions, income taxes will apply to the earnings portion of your withdrawal.

## Tax Forms

You will be mailed a Form 1099-R by January 31 of the year following any year in which you receive a distribution. Voya Financial is responsible for issuing your 1099-R.

If you do not receive a Form 1099-R by February 15 after a year in which you received a distribution, please call the Service Center to request a duplicate form.

**California tax is withheld from your pre-tax account distributions only if you are a resident of California at the time of distribution. If you move out of California, your state of permanent residency may or may not have mandatory withholding. Voya Financial will withhold state income taxes according to the state of your primary residence.**



# Rollovers

## Rollovers Into Your Deferred Compensation Plan

The Plan permits rollovers into your Deferred Compensation Plan account.

### Rollovers from Employer-Sponsored Plans

If you have pre-tax assets with a previous employer's 457(b), 401(a), 401(k) or 403(b), you may be eligible to roll over these assets to your Deferred Compensation Plan. Generally, you must be severed from employment from the employer who sponsored the plan. Check with your former employer or its plan administrator for information about rolling money out of that account. Also make sure to check for any fees or charges that may apply to distributions from other employer-sponsored plans. There is no fee to roll money into the City's Deferred Compensation Plan.

### Rollovers from DROP

Upon retirement, you may be eligible to roll over your Deferred Retirement Option Program (DROP) funds from your Fire/Police Pension account. By rolling DROP funds into the Plan, you will be able to take advantage of the Plan's competitive investment options. You have the opportunity to consolidate your retirement funds so you receive one benefit statement for both plans from one service provider.

### Rollovers from Roth

If you have Roth assets from a previous employer's 457(b), 401(k) or 403(b) plan, you may be eligible to roll over these assets to your Deferred Compensation Plan. Generally, you must be severed from employment from the employer who sponsored the plan. Check with your former employer or its plan administrator for information about rolling money out of that account. Currently, you cannot roll a Roth IRA into the Plan.

### Investment of Rollover Funds

The funds will be invested according to the investment instructions you provide on the Incoming Rollover/Plan Transfer Contribution Direct Rollover form. The Plan is required by the IRS to separately account for both the pre-tax and Roth 457 funds rolled into the Plan for tax-reporting purposes upon distribution of the rollover assets from the Plan. Your quarterly Plan statement will show your total balance as well as a breakdown of funds held in your contribution account and in your rollover account.

### Accessing Money Rolled Into the Plan

The Plan allows participants to take distributions from their rollover account at any time, subject to any applicable underage penalty tax. Distributions from the contributions account cannot be taken prior to severance of employment.

## Rollovers to IRAs

Upon severance of employment, you may elect to roll over account balances to an IRA. No taxes will be withheld from your transfer amount. Please consider that there may be an adverse fee impact associated with rolling over funds. You may also face other unintended consequences, such as a 10% early withdrawal federal tax penalty for withdrawals taken prior to age 59½ or a change in available services.

To assist Plan participants in assessing the consequences of rollovers, the Plan has developed a Plan Comparison Worksheet (see Page 9). This worksheet is designed to assist you with your research regarding the fees associated with any IRA or other plan you may be considering. The worksheet contains the fees and features of your City of Los Angeles Deferred Compensation Plan. Space is provided for you to fill in the fees and features of any other IRA or plan you may be researching so you will have comparable information.

## Rollovers to Roth IRAs

Upon severance of employment, you may elect to roll over your Roth 457 account balance to other Roth accounts. You can also roll over your pre-tax 457 balance into a Roth IRA. Please carefully consider the tax ramifications associated with such rollovers and, if necessary, consult with your financial and/or tax advisor.

## Rollovers to an Annuity Program

Annuity programs provide you the option of purchasing an annuity (lifetime income stream) with some portion or all of your account balance. The City's Deferred Compensation Plan does not offer an annuity program, but you are eligible to roll your funds out of the Plan and purchase annuities with other providers. With any annuity purchase, once the purchase is made, the decision is irrevocable and you cannot receive a refund of the funds that were used to make the purchase. There may be fees or tax consequences related to the purchase of an annuity. There may also be restrictions on accessing the funds for withdrawal or rollovers. You may wish to consult with a financial advisor before making any annuity purchase.

## Rollovers to an Employer-Sponsored Plan

Upon severance of employment from the City of Los Angeles, you may elect to roll over your balance, partially or wholly, to another eligible governmental 457(b), 401(a), 401(k) or 403(b) plan, provided you are enrolled in your current employer's plan. Your current employer's plan must also accept the funds from the City's 457 Plan.

# Plan Comparison Worksheet



The worksheet below can assist you when researching and comparing plan fees and options. The fees and features of your Deferred Compensation Plan are filled in for you, and space is provided for you to fill in the fees and features of any other plan or IRA you may be considering—providing you an at-a-glance comparison for simplified decision-making.

Distribution of Fees/Expenses	Your City of Los Angeles Deferred Compensation Plan	Other IRA or Plan
<b>Annual Fee</b> Also known as Trustee or Custodial Fee; typically an administrative charge	0.09% of account balance	
<b>Mortality and Expense Fee (M&amp;E)</b> Assessed typically for variable and fixed annuities on investments issued by insurance companies	\$0	
<b>Contingent Deferred Sales Charge (CDSC)</b> Assessed for some mutual funds and variable annuities if in certain cases funds are withdrawn, rolled over or transferred before the end of an established period	\$0	
<b>Sales Charges or Loads</b> Usually in mutual funds, a charge assessed on the value invested at the beginning (front-end load) or at redemption (back-end load); there are other variations of loads	\$0 (Waived even if the retail version has load)	
<b>Operating Expense</b> Also known as Administrative or Maintenance Expense, an implicit mutual fund or variable annuity fee (netted from return so that you do not “see” it as a fee) that pays the fund company for its services	Varies depending on investment option—most priced as institutional (lower cost)	
<b>Transfer or Exchange Fee</b> A transaction-based fee for transferring to other funds, usually to another fund family	\$0	
<b>Transaction Fee</b> Assessed if you make fund transfers or other transactions, such as requesting a distribution	\$0	

Other Plan Features	Your City of Los Angeles Deferred Compensation Plan	Other IRA or Plan
<b>Distribution Restrictions</b>	Eligible for distribution once severance of employment is confirmed	
<b>Penalties for Distribution<sup>7</sup></b>	None (no age 59½ penalty)	
<b>Local Representative</b>	Licensed representatives serve the Plan exclusively	
<b>Flexibility of Distribution</b> Change payment stream, deplete investments in the order you prefer, request partial distributions	Flexibility is available	
<b>Website/Participant Services</b>	Easy access, no transaction fee	

<sup>7</sup> Funds rolled over from plans other than 457(b) plans may be subject to a 10% tax penalty if distribution is taken prior to the participant reaching age 59½.

# Self-Directed Brokerage Account

For participants who have funds in the Schwab Personal Choice Retirement Account® (PCRA), the self-directed brokerage account (SDBA) option, special rules may apply to your distribution request. The SDBA option is offered through Charles Schwab PCRA\*. For more complete information about the SDBA option, including investment risks, fees and expenses, contact Schwab at 888-393-7272 or visit schwab.com.

## Defer Distribution

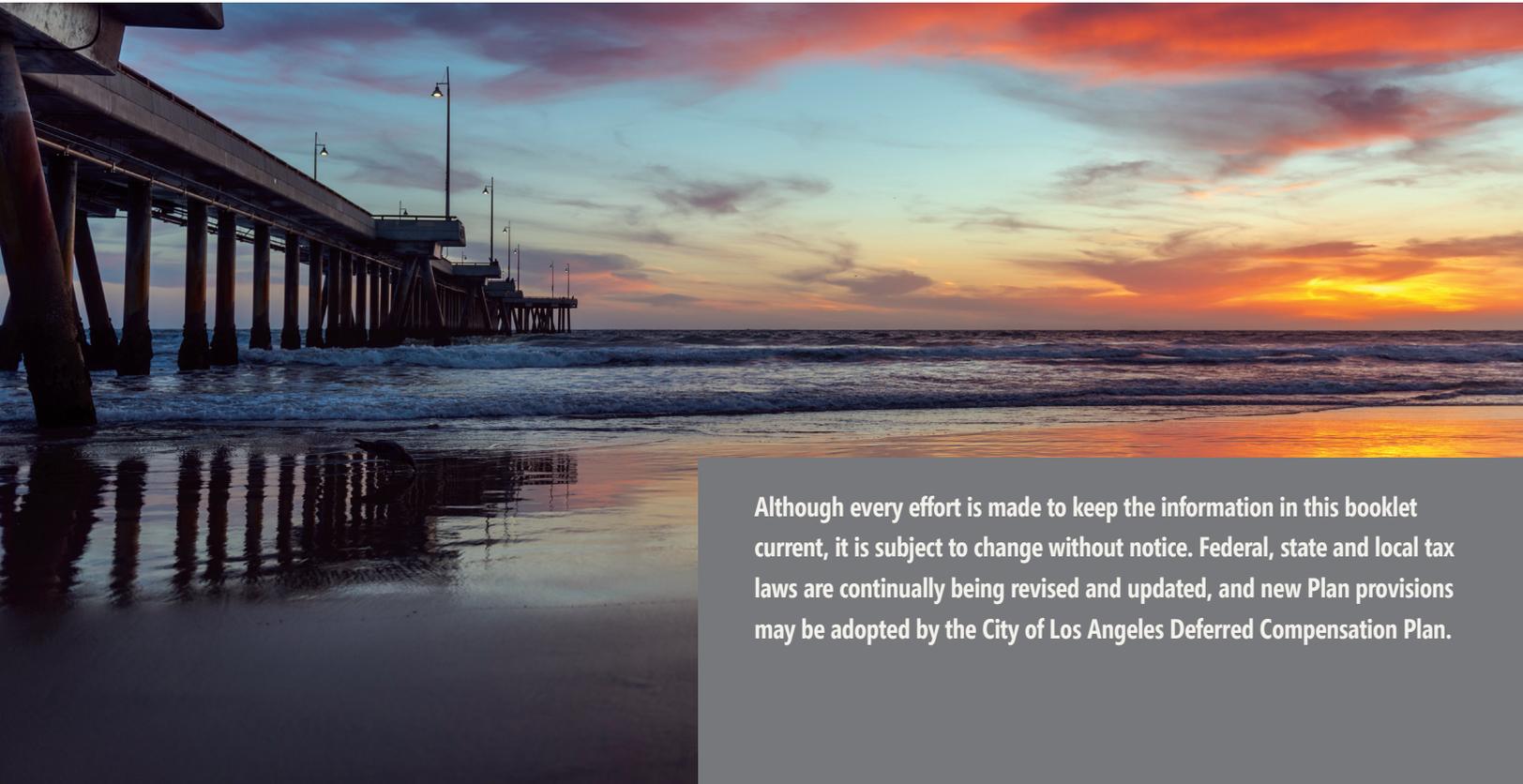
You may maintain your balance, either partially or wholly, in the Schwab PCRA program if you elect to postpone your distribution. If you elect to start distributions, you will be required to transfer part or all of your balance from the Schwab PCRA investment options to one or more of the main "core" options at Voya Financial.

## Full Distribution or Partial Distribution

If you maintain funds in the Schwab PCRA program, you will need to contact Schwab PCRA to transfer the funds to the Plan's core options for distribution. In the event that the transferred funds have not been received by Voya Financial prior to your request being submitted, the distribution will not include the funds held in the Schwab program. A new distribution request must be submitted once the funds have been transferred from the Schwab PCRA program for you to receive that portion.

\* The SDBA provider is subject to change.

WEBSITE: LA457.COM SERVICE CENTER: 844-523-2457



Although every effort is made to keep the information in this booklet current, it is subject to change without notice. Federal, state and local tax laws are continually being revised and updated, and new Plan provisions may be adopted by the City of Los Angeles Deferred Compensation Plan.

