



# City of Los Angeles Deferred Compensation Plan

## Boosting Your Savings at Retirement

### SEPARATION INCENTIVE PROGRAM & THE DEFERRED COMPENSATION PLAN

The City of Los Angeles Separation Incentive Program (SIP) may present opportunities for retiring employees to boost retirement savings as they separate from service. The purpose of this communication is to provide you with information regarding how to take advantage of these opportunities with the City's Deferred Compensation Plan (DCP).

#### What is the DCP?

The DCP is a voluntary tax-advantaged governmental 457(b) plan allowing you to save a portion of your salary now so you can provide income to yourself in retirement. The future retirement income you receive from your account can supplement pension income from the Los Angeles City Employees' Retirement System (LACERS). All LACERS members are eligible to participate.

#### How can I increase my retirement savings and possibly defer taxes as I'm retiring?

Retiring employees have three primary means of boosting their retirement savings as they're separating from service:

- Age-50 Contributions - Employees age 50 or older are automatically eligible to contribute up to **\$26,000** in 2020
- Catch-Up Contributions - Employees eligible for "Catch-Up" can contribute up to **\$39,000** in 2020
- Accrued Leave Program - Employees can make contributions out of their **accrued leave** payouts of sick and vacation time up to their applicable annual contribution limit (either \$26,000 or \$39,000)

Age-50 and Catch-Up contributions cannot be combined in the same calendar year, but Accrued Leave can be used in connection with either Age-50 or Catch-Up contributions.

As payments related to your separation from service may result in unexpected additional income in 2020 or 2021, increasing DCP savings may provide opportunities for tax-deferral. Please consult with a tax advisor for specific guidance regarding your personal tax situation.

#### Can I make contributions to the DCP out of my separation incentive payment?

No. Retiring employees may not make deferrals out of their separation incentive payments because those payments are not eligible for post-severance contributions under Internal Revenue Code rules. However, contributions can be made out of normal wages and payouts of accrued vacation, sick, and overtime.

#### What deadlines should I be aware of for participating in any of these savings options?

The Internal Revenue Code requires that all contribution amount changes be made no later than the month prior to the month in which the deferral takes place and elections for contributions of accrued leave no later than the date of separation from service. Please work with a local Retirement Counselor to ensure your deferral changes are executed on time.



CITY OF *Los Angeles*  
DEFERRED COMPENSATION PLAN

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## AGE-50 CONTRIBUTION LIMIT

### What is the Age-50 Contribution Limit?

The Age-50 contribution limit allows those who are age 50 or older to contribute a larger amount than those below age 50. In 2020 the Age-50 contribution limit is \$26,000 (as compared to the contribution limit of \$19,500 for those below age 50).

### Do I need to enroll to be eligible for the Age-50 contribution limit?

No special enrollment process is required. Employees who are age 50 or older, or who will be turning age 50 at any point in the calendar year, are automatically eligible to contribute the higher amount applying to that calendar year.

### How can I increase my retirement savings under the Age-50 contribution limit?

You can increase your savings by either (a) increasing your bi-weekly contribution amount in between now and the time you retire, and/or (b) participating in the City's Accrued Leave Program (see details later).



## CATCH-UP CONTRIBUTIONS

### What is Catch-Up?

“Catch-Up” refers to Internal Revenue Code provisions permitting participants who are within three calendar years of normal retirement age (meaning retirement without a penalty or actuarial reduction in benefits) to defer up to \$39,000 per year for three consecutive years. You are only eligible for Catch-Up if you under-contributed in prior years of eligibility and have an “unused balance” of contributions. By participating in Catch-Up, you are essentially contributing amounts from your unused balance to the City’s DCP as you approach retirement.

### Do I need to enroll in Catch-Up to be eligible for the Catch-Up contribution limit?

Yes. You must complete a Catch-Up enrollment form with a local counselor (you cannot enroll online or through the DCP call center). The local counselor will verify that you have an unused balance available to you and identify how much you can contribute. The local counselor will also assist you with completing the form to allow you to make your Catch-Up contribution in 2020.

### What if I’m already enrolled in Catch-Up?

If you’re already enrolled in Catch-Up you won’t need to complete a new enrollment process. However, you should still work with a local counselor to take advantage of opportunities provided by the Accrued Leave Program to maximize your contributions in 2020.

### What if I previously participated in and completed my three years of Catch-Up?

If you previously completed participation in Catch-Up you are not eligible to do Catch-Up again. However, you are still eligible to contribute up to the Age-50 contribution limit.

## ACCRUED LEAVE PROGRAM

### What is the Accrued Leave Program?

The Accrued Leave Program allows retiring employees to make contributions from their post-severance payouts of unused vacation, sick and/or overtime hours. This payment is referred to as an “accrued leave payout.”

### Do I need to enroll in Accrued Leave in order to make an Accrued Leave contribution?

Yes. You must complete an Accrued Leave enrollment form with a local counselor (you cannot enroll online or through the DCP call center). The local counselor will assist you with determining:

- The annual limit that applies to you for the calendar year of the deferral
- The amount you are eligible to contribute
- The approximate amount of accrued leave you will be receiving
- The date your payout will be received

Your accrued leave election must be made no later than the month prior to the month in which the deferral takes place and no later than the date of separation from service.

### Can I participate in Accrued Leave at the same time I’m enrolled in Catch-Up or making Age 50 contributions?

Yes. However, any contributions you make out of your Accrued Leave payout, in combination with other year-to-date contributions you’ve made to your account, cannot exceed the annual limit (Age 50 or Catch-Up) applying to you.

## BEFORE-TAX OR AFTER-TAX (ROTH) CONTRIBUTIONS

### What are my tax-advantaged contribution options?

Your contributions to the DCP can be made on either a Before-Tax or After-Tax (Roth) basis.

- Before-Tax contributions are not considered taxable income in the year contributions are made. However, contributions and any earnings are subject to ordinary income tax when withdrawn from your account.
- After-Tax (Roth) contributions are included in your taxable income in the year contributions are made. Contributions and any earnings are exempt from taxes when withdrawn from your account if they’re taken after a required five-year holding period **and** you are at least age 59½.
- You have the flexibility to contribute either Before-Tax or After-Tax (Roth) dollars, or a combination of both.
- Since the SIP may result in unexpected additional income in 2020 or 2021, it is important to choose the savings option that works best for you. Please consult with a tax advisor for specific guidance regarding your personal situation.

## FIRST TIME ENROLLMENTS

### What If I’m not enrolled in the DCP?

It’s not too late to enroll! You can enroll AND take advantage of Catch-Up, Accrued Leave and others savings opportunities at the same time. Local Retirement Counselors can assist you with this.



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## Does it make sense to enroll if I can only save a small amount before I retire?

Yes. Creating an account with the DCP before you retire not only provides you with previously discussed savings and tax opportunities, it may also open up opportunities to consolidate other or future retirement assets into the City's DCP (such as funds in an Individual Retirement Account or another employer's retirement savings program). When you enroll in the DCP, you benefit from "strength in numbers" by being part of a large group plan, allowing you access to institutional pricing not typically available to individuals or smaller retirement programs, so that more of your money is working for you instead of going toward fees.

## SUPPORT AND CONTACT INFORMATION

### Who do I work with to ask questions or take advantage of these savings options?

You can work with DCP local Retirement Counselors. They will facilitate all enrollment and contribution questions. Contact information is provided as follows:



Local Counselor Support:                   **213-978-1601**  
**LA457/contact-us**  
[perdcp@lacity.org](mailto:perdcp@lacity.org)



Visit online:                                       **LA457.com**

### How should I prepare for my review with a Retirement Counselor?

Please have a copy of your paycheck to help estimate your accrued leave and your anticipated date of separation.



**PLEASE CONTACT US - WE'RE HERE TO SUPPORT YOU!**

