City and County of
San Francisco
Deferred Compensation Plan

Gateway to your Future

Your City and County of San Francisco Deferred Compensation Plan (SFDCP) offers another way to save for retirement: Roth 457(b) After-Tax Contributions.

What is a Roth 457(b) after-tax contribution?

A Roth 457(b) after-tax contribution is simply another way to put money away for retirement in your SFDCP. Instead of having all of your contributions deducted from your paycheck before taxes, you may decide to make Roth 457(b) contributions on an after-tax basis. And, if you meet certain requirements down the road, the Roth 457(b) money you withdraw at retirement may be federal income tax-free.

Roth 457(b) contributions give you the opportunity to:

- Invest after-tax dollars for retirement
- Let your investments grow tax-deferred during your working years
- Withdraw your contributions and any earnings federal income tax-free at retirement

How do I take a federal income tax-free withdrawal?

Because you already paid income tax on Roth 457(b) contributions, a withdrawal of your Roth 457(b) contributions is always 100% federal income tax-free if you meet a few basic requirements. This is called a "qualified" Roth withdrawal. To be qualified, the distribution must generally happen at least five tax years after your first Roth 457(b) contribution, and occur after one of the following:

- You have reached age 59½
- You become disabled (as defined by federal tax law)
- Your death. (In this case, the distribution is qualified and paid to your beneficiary.)

If your withdrawal doesn't meet these qualifications, any potential earnings will be taxable.

How does it work?

Since Roth 457(b) after-tax contributions are part of your current SFDCP account, you can make Roth contributions through payroll deduction. Simply update your account information to indicate that you want to make Roth contributions. (See the back of this flyer for more information.) Here are a few things to keep in mind:

- You are eligible to make Roth 457(b) contributions regardless of your income level.
- Your total contributions to the SFDCP (pre-tax and Roth combined) cannot exceed 61% of your gross compensation, or the IRS contribution limit, whichever is less.
- Required minimum distribution rules apply to Roth 457(b) contributions. That means you generally must begin taking distributions from your account during the year after you reach age 70½ or retire, whichever is later.

Can I still contribute to a Roth IRA?

If you decide to make Roth contributions to your SFDCP account, and you meet the Roth IRA requirements, you can still put additional money into a Roth IRA.

What happens if I leave my job?

You can keep your money in the SFDCP, and your savings will retain its potential to grow tax-deferred—meaning you won't have to pay any income tax on it until you withdraw it. You can also continue to invest in the plan's investment options.

You may be able to roll your Roth 457(b) contributions into another retirement program, but only if it permits Roth 457(b) contribution accounts. Your other option is to roll your Roth 457(b) balance over to a Roth IRA. If you have further questions regarding this, go to **sfdcp.org** and select the "Your Distribution Options" link on the "About Your Plan" page, or call **888-SFDCP-4U** (888-733-2748) and select **option 2** to speak with a Retirement Counselor.

Pre-tax or Roth 457(b) after-tax?

Should you make pre-tax contributions, Roth after-tax contributions or both? The choice is yours. One thing to consider is how your current tax rate will compare to what you expect your tax rate to be in retirement:

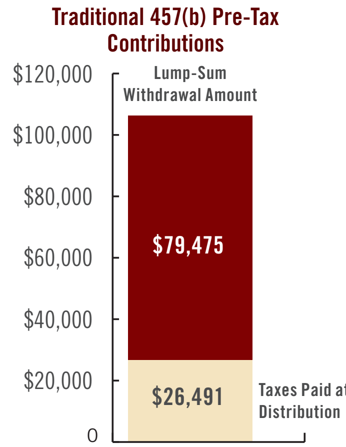
- If you expect your tax rate will be higher in retirement than it is today, making designated Roth 457(b) contributions (and paying taxes now) may make sense for you.
- If you believe your tax rate will be lower in retirement than during your working years, you may benefit more from making pre-tax contributions and deferring your tax obligation until retirement.
- With tax rates in retirement uncertain, you may choose to diversify your taxation by making both pre-tax and Roth contributions to your SFDCP account. This strategy may provide some taxation flexibility.

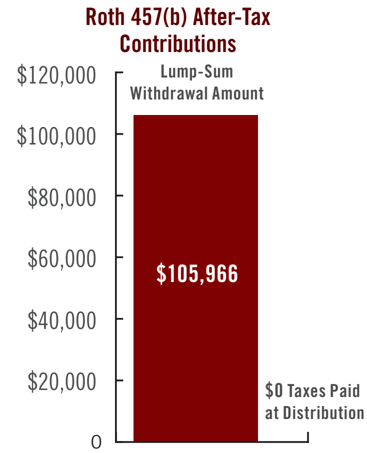
Of course, the approach you should take depends on your individual situation and overall retirement planning strategy.

Electing Roth 457(b) After-Tax Contributions

Roth 457(b) contributions and any earnings can be withdrawn tax- and penalty-free if the withdrawal is qualified.* The following chart shows how your withdrawals could be impacted.

Present Day	Traditional 457(b) Pre-Tax Contributions	Roth 457(b) After-Tax Contributions
Annual salary	$50,000	$50,000
Annual pre-tax contribution to the Plan (5%)	- $2,500	- $0
Taxable income	**$47,500**	**$50,000**
Federal taxes (25%)	- $11,875	- $12,500
California taxes (8%)	-$3,800	-$4,000
Annual Roth 457(b) contribution to the Plan (5%)	$0	$2,500
Take-home pay	$31,825	$31,000
20 years later		
Account balance at retirement	$105,966	$105,966
Federal taxes paid at distribution (25%)	- $26,492	- $0
California taxes paid at distribution (8%)	-$8,477	-$0
Lump-sum withdrawal amount	**$70,997****	**$105,966**





To model your own scenarios, visit **sfdcp.org** and use our Roth 457(b) contribution calculator located on the home page. The calculator will compare the two different types of contributions and help you make a decision based on your individual circumstances.

*Amounts withdrawn from pre-tax contributions, as well as earnings on Roth 457(b) distributions that are not qualified, are subject to ordinary income taxes.

**If each year's tax savings of $825 is invested on an after-tax basis at 7%, the value at the end of 20 years would be $19,381, which when added to the after-tax value of pre-tax contributions brings the total to $90,378.

Chart assumptions: Assumes contributions for 20 years and 7% interest over those 20 years and that the requirements for Roth distributions are met. The compounding concept is hypothetical, and for illustration only and not intended to represent performance of any specific investment, which may fluctuate. Withdrawals, except qualified Roth 457(b) withdrawals, are generally taxable at ordinary rates. **You can lose money by investing in securities.**

How to take action

To start making Roth 457(b) after-tax contributions, go to **sfdcp.org** and select the login button at the top of the page. Once logged in, click on "Contribution Rate" in the "Go To..." box under the Plan name. You may also call **888-SFDCP-4U** (888-733-2748) and select **option 1** to start making Roth 457(b) contributions. Changes will take effect based on the payroll calendar located in the "About Your Plan" section of **sfdcp.org**. For assistance with any questions about your account, SFDCP Retirement Counselors are available. To contact your SFDCP Retirement Counselor, call **888-SFDCP-4U** (888-733-2748) and select **option 2**, or visit **sfdcp.org** to schedule a one-on-one appointment. Retirement Counselors are available Monday through Friday, from 8 a.m. to 5 p.m. PT.

The SFDCP Online Retirement Center is easy to use and is a great way to plan and help save for the retirement you've always imagined. Scan the QR code or visit sfdcp.org to start making Roth 457(b) after-tax contributions.

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