



DGP News

APRIL 2024



Create and Live Your Best Retirement



CITY OF *Los Angeles*
DEFERRED COMPENSATION PLAN

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Nearing retirement?

Top-off your DCP savings with Special Catch-Up Contributions and the Accrued Leave Deferral Option

As you approach the final stretch of your career journey, it becomes increasingly crucial to ensure that your retirement savings goals are on track. Fortunately, there are two important DCP features available to you to give your savings a much-needed boost: **Special Catch-Up** contributions and the **Accrued Leave** deferral option.

Special Catch-Up Contributions

Imagine the path to retirement as a race, with your savings goals as the finish line looming ahead. If you find yourself in need of a last-minute sprint to reach your target, Special Catch-Up contributions can help give you that extra boost.

So, what exactly is Special Catch-Up? It's a provision in the Internal Revenue Code that allows participants within three calendar years of normal retirement age (meaning retirement without a penalty or actuarial reduction in benefits) to defer **up to twice the normal contribution limit** for three consecutive years. You are only eligible for Special Catch-Up if you contributed less than the annual limit in prior years of eligibility and have an "unused balance" of potential contributions. For 2024, the Special Catch-Up contribution limit is \$46,000.

Case Study: Casey's Special Catch-Up Contributions Opportunity

Casey has **\$56,000 of Unused Contributions** (amount they could have deferred in previous years, up to the regular limit).

	Regular Contribution Limit **	Special Catch-Up Contributions***	Total Contributions
Year 1*	\$23,000.00	\$23,000.00	\$46,000.00
Year 2	\$23,000.00	\$23,000.00	\$46,000.00
Year 3	\$23,000.00	\$10,000.00	\$33,000.00
	\$69,000.00	\$56,000.00	\$125,000.00

Thanks to Special Catch-Up contributions, Casey has the opportunity to save \$125,000 over the three year Special Catch-Up period versus \$69,000 without Special Catch-Up.

* Must meet retirement age eligibility for Special Catch-Up.

** This is an illustration only; the regular contribution limit is set by the IRS each year. Age 50+ limit does not apply here.

*** Up to 2x the Regular Contribution Limit if you have enough Unused Contributions, or the balance of your Unused Contributions remaining.

As Casey has only \$56,000 in Unused Contributions, they can only contribute the remainder as Special Catch-Up Contributions in Year 3. If Casey had at least \$69,000 in Unused Contributions, they could have contributed the full \$23,000 as Special Catch-Up Contributions in Year 3.

Here's how to take advantage of Special Catch-Up:

1. Schedule a phone, virtual, or in-person meeting with a Local Retirement Counselor at LA457.com/contact-us to discuss your eligibility and unused balance of contributions.
2. Complete a Special Catch-Up enrollment form with your Local Retirement Counselor. They'll guide you through the process and assist you in completing the contribution form.
3. Submit the necessary paperwork for enrollment in Special Catch-Up to bolster your retirement savings.

To read more about Special Catch-Up, visit LA457.com/catch-up.

Accrued Leave Deferral Option

Another avenue to consider as you prepare for retirement is the Accrued Leave deferral option. This option allows you to make contributions to your DCP account from your post-severance payouts of unused vacation, sick, and/or overtime hours – commonly known as an “accrued leave” payout.

Before retiring, take the following steps to utilize the Accrued Leave deferral option effectively:

1. Contact your department's payroll for an accurate estimate of your accrued leave payment amount and payment date.
2. Obtain the Accrued Leave Deferral Option form from a Local Retirement Counselor or the Service Center by emailing LA457@lacity.org or calling 213-978-1601.
3. Work with a Local Retirement Counselor to determine your eligibility and contribution options.
4. Complete the form and submit it **no later than one month before your retirement date** to participate in the Accrued Leave deferral option.

Here are some key points to remember about the Accrued Leave deferral option:

- Contributions can be made up to the applicable annual IRS contribution limit, the Age 50+ contribution limit, or the Special Catch-Up limit (if you are eligible).
- Contributions can be made on either a pre-tax or Roth (after-tax) basis and are deducted directly from your accrued leave payout.
- Your Accrued Leave Deferral Option form must be completed and submitted no later than 30 days before your retirement date.
- Accrued leave payment must occur during the calendar year of your retirement date or within 2½ months after your retirement date for a 457 plan to accept the funds.

To read more about the Accrued Leave deferral option, visit LA457.com/accrued-leave.

Take action today

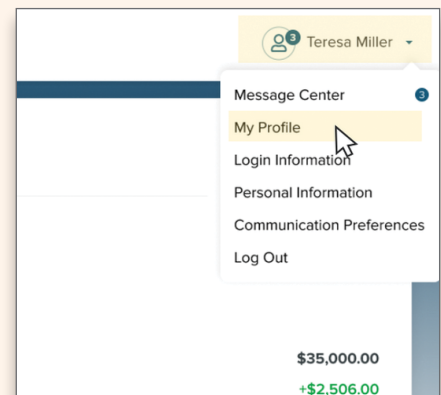
To learn more about Special Catch-Up contributions or the Accrued Leave deferral option, schedule a phone, video, or in-person appointment with a Local Retirement Counselor at LA457.com/contact-us or call 213-978-1601. They'll guide you through the process so you can feel confident about maximizing your retirement savings potential.



CYBERSECURITY CORNER

Is your DCP contact information up-to-date?

Keeping your personal contact information current is one of the most important steps you can take to make sure you receive timely account and transaction communications. Ensure your mobile phone, mailing address, and email address are promptly updated when they change. To review your contact information, log in to your account at LA457.com, hover over your name in the upper right corner, and click on My Profile. If you encounter any issues accessing your account, please call the Service Center at 844-523-2457 during the hours of 6:00 a.m. to 5:00 p.m. PT, Monday - Friday, except on New York Stock Exchange Holidays.



DCP News

- **Board of Deferred Compensation Administration – Organized Labor Representative Update**

The Board of Deferred Compensation Administration (DCP Board) and DCP staff extend their deepest gratitude to Robert Schoonover for his fourteen years of service as the Organized Labor Representative, during which he served terms as the Second Provisional Chair and provided his guidance on various committees. After Mr. Schoonover's retirement, the DCP Board welcomed Simboa Wright to the position of Organized Labor Representative on January 22, 2024. Mr. Wright, who currently serves as the Vice President of SEIU Local 721, was certified to the position by the City's labor groups in accordance with the Administrative Code.



Robert Schoonover



Simboa Wright

- **Your DCP online account experience has been upgraded**

As of March 18, your DCP online account experience has been enhanced with a refreshed dashboard, new features, and familiar account management tools. With this upgrade, you now have the ability to access a complete and holistic view of your financial life, made possible by aggregator technology that enables you to link external financial accounts to your DCP dashboard. To learn more about the new features, visit LA457.com/dashboard.

- **Reminder of Upcoming Election: Active Participant WPERP Representative and Retired and Separated Participant Representative**

The Office of the City Clerk – Election Division, on behalf of the DCP, is currently administering an election for the DCP Board for two seats: **Active Participant Water and Power Employees' Retirement Plan ("WPERP") Representative** and **Retired and Separated Participant Representative**. The Active Participant WPERP Representative must be an active DCP participant who is also an active member of the WPERP; similarly the Retired and Separated Participant Representative must be an active DCP participant who is also retired or otherwise separated from City service. The terms for these positions will begin July 1, 2024 and will end June 30, 2027. For information about when to vote and other important election information, visit LA457.com/elections2024. Eligible voters will receive ballots by mail during the last week of April. Voted ballots must be received by Election Day on May 10, 2024.

- **The "First-of-the-Month" contribution change requirement has been removed**

Effective in March 2024, a SECURE 2.0 Act provision eliminated the requirement for contribution changes to be made prior to the first day of the month. For example, previously, a contribution change for a paycheck in June must have been made before May 31. This was known as the "first-of-the-month" rule and was set in place by the IRS. Now, with the new SECURE 2.0 Act provision in place, your contribution elections and changes can be effective in the same month the compensation is available to you, thus eliminating the "first-of-the-month" rule. For example, you may now request a contribution change for a paycheck in June in the same month as long as it is made within an appropriate processing time frame prior to the paycheck. For additional information about this change and other impacts of the SECURE 2.0 Act, visit LA457.com/secure-2023.

- **City Human Resources & Payroll (HRP) Project conversion update**

The City continues its efforts to complete the Human Resources & Payroll (HRP) project, which is the conversion from the City's legacy payroll system, PaySR, to a new system provided by Workday. Phase 2 of the project, which will allow City employees to enter time, request time off, and view their paychecks in Workday, is anticipated to launch mid-June 2024. Beginning in June, please make sure to keep a close eye on your paychecks to ensure the correct DCP deferral elections or loan repayments are being taken. It is anticipated that the first paycheck in Workday will be paid on July 10, 2024. Should you identify any inconsistencies or have any questions, visit LA457.com/hrp.

- **Will you be age 73 in 2024?**

If you have turned or will be turning age 73 in 2024, you must begin to take your Required Minimum Distribution (RMD) in accordance with IRS regulations. Your initial 2024 RMD will need to be distributed to you by April 1, 2025. Your 2025 RMD and RMDs for subsequent years will thereafter need to be taken by December 31 of the same calendar year. The DCP helps ensure you meet the respective April 1 or December 31 deadlines by automatically issuing a distribution to you if you have not taken the required distributions through the year (you must have enough funds in your DCP core account if you are participating in the self-directed brokerage option). For questions related to your RMD, please call the Service Center at 844-523-2457 during the hours of 6:00 a.m. to 5:00 p.m. PT, Monday - Friday, except on New York Stock Exchange Holidays.

Your Team

Your Deferred Compensation Plan is sponsored by the City of Los Angeles and supported by the City's Board of Deferred Compensation Administration, a team of Personnel Department staff, contracted service providers and consultants, and investment managers.



La Tanya Harris



Vincent Alvarez



Steve Harman



Carol Say



Tim Merwin

We take pride in providing you with personalized, local representatives to support you with your account. Although most participant transactions can be conducted online at LA457.com or through the Service Center at **844-523-2457**, many of our participants consult with our Local Retirement Counselors for a variety of counseling needs. Our Local Retirement Counselors are based out of our office in Room 867 of City Hall.

To contact a Local Retirement Counselor, please call **213-978-1601**, visit LA457.com/contact-us, or email LA457@lacity.org. In-person, video, and phone appointments are available!

Plan administration services provided by Voya Institutional Plan Services, LLC. Information from registered Plan Service Representatives is for educational purposes only and is not legal, tax or investment advice. Local Retirement Counselors are registered representatives of Voya Financial Advisors, Inc. (member SIPC).

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Retired Participant Representative

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