



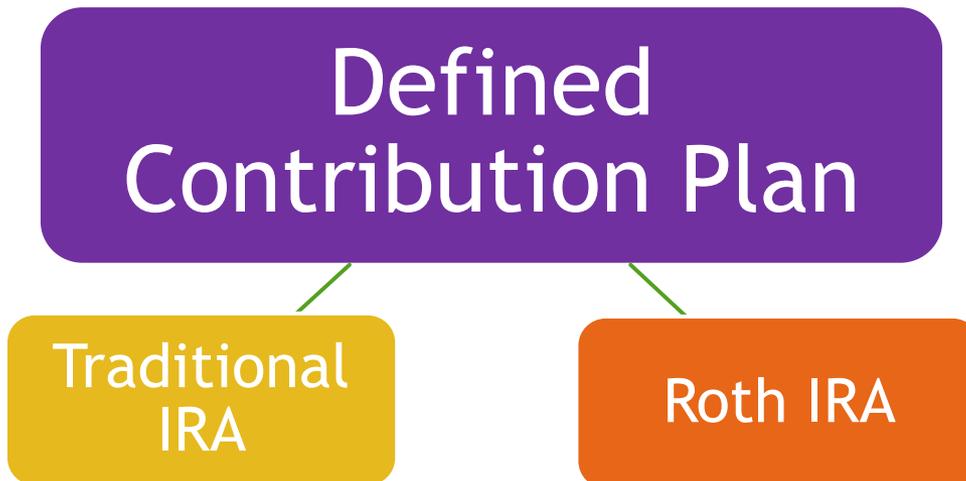
CITY OF *Los Angeles*
DEFERRED COMPENSATION PLAN

DEEMED IRAs OVERVIEW

April 17, 2018

What is a Deemed IRA?

- Employer-Sponsored IRA offered with DC plan
- May be Roth, Traditional, or both
- May be offered in DC plan with same investment options
- Assets maintained in single or separate trust

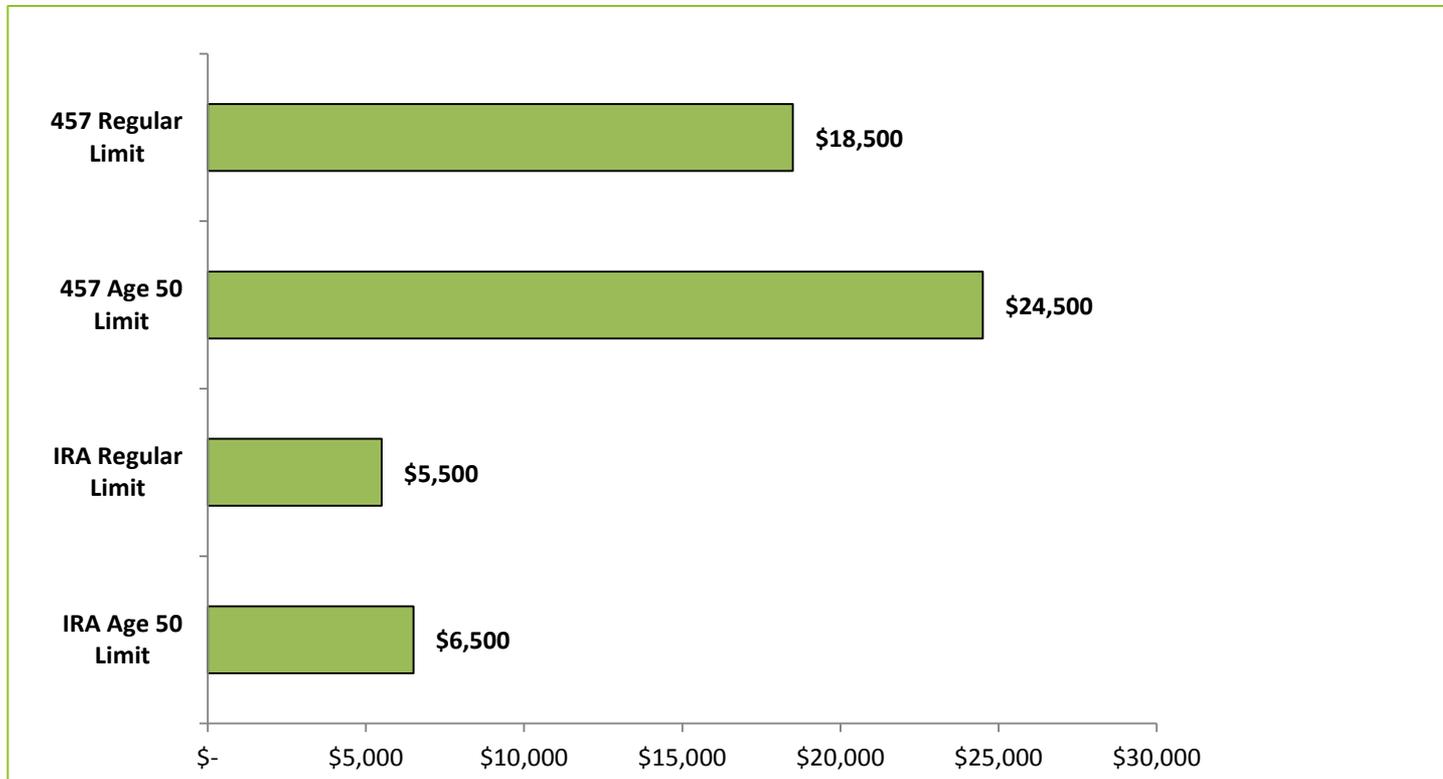


Benefits of Offering a Deemed IRA

- Home for new Roth IRA (incoming Roth IRA rollovers presently not permitted by statute)
- Investment choices familiar to participants
- Competitive investment management and administrative fees
- Promotes greater asset accumulation

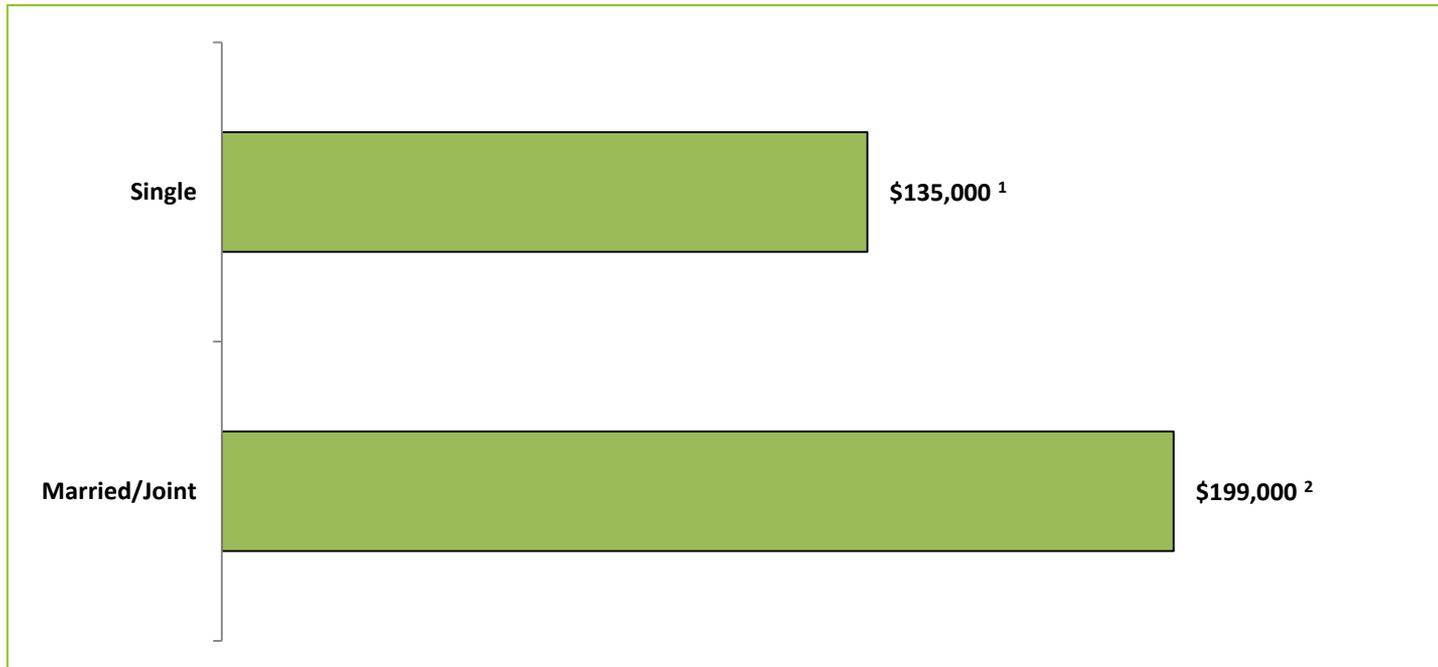


457 & IRA Contribution Limits (2018)



Roth IRA Contribution Limitations

Contribution limitations apply based on Adjusted Gross Income (AGI)

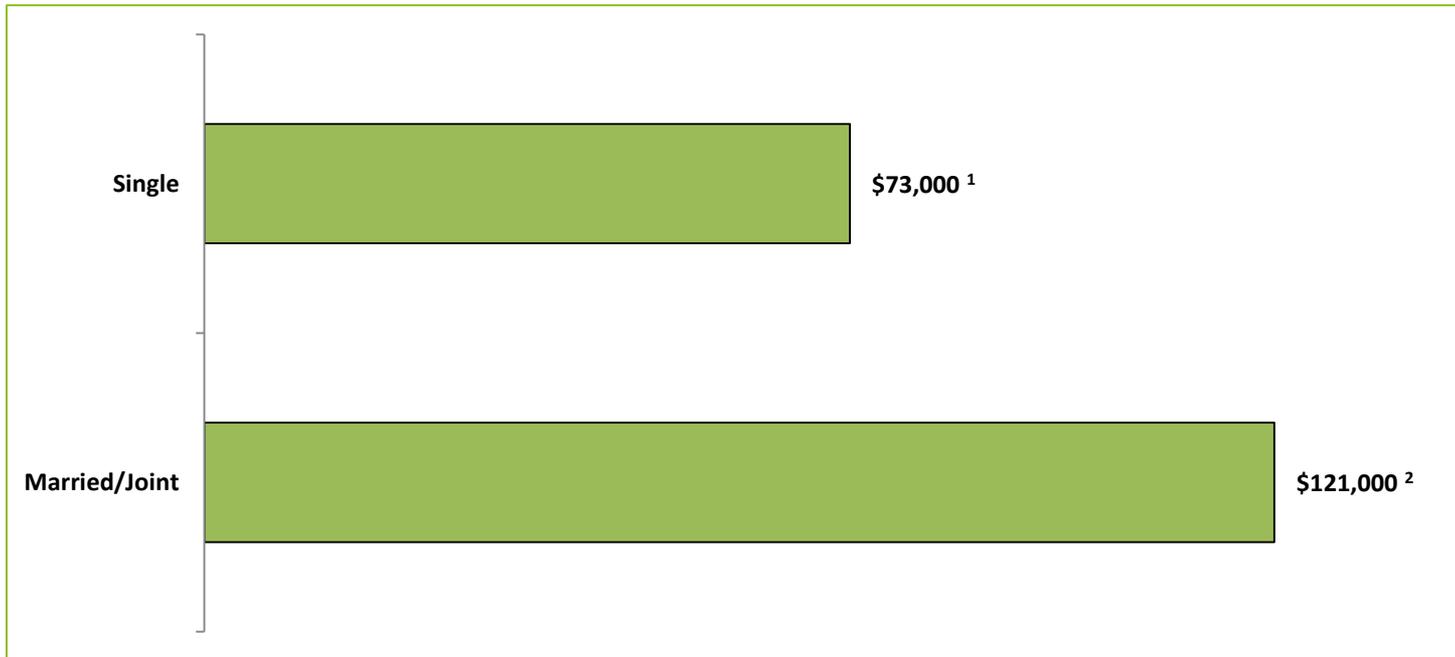


¹ Contribution limit begins to phase out starting at modified AGI of \$120,000

² Contribution limit begins to phase out starting at modified AGI of \$189,000

Traditional IRA Contribution Limitation

No income limit but deductibility of contribution limited to modified AGI of:



¹ Partial deduction for modified AGI > \$62,000 but < 73,000

² Partial deduction for modified AGI > \$101,000 but < 121,000

Overview: Traditional vs. Roth IRAs

	Traditional IRA	Roth IRA
Maximum Yearly Contribution	\$5,500 (\$6,500 if age 50 or older) as of 2018	\$5,500 (\$6,500 if age 50 or older) as of 2018
Annual contribution deadline	Tax-filing deadline for the year.	Tax-filing deadline for the year.
Is there an age restriction on contributions?	Yes. You cannot make contributions beginning with the year you reach age 70½.	No
Tax Advantage	Traditional IRA contributions are tax-deductible on both state and federal tax returns for the year you make the contribution	Roth IRAs provide no tax break for contributions, but earnings and withdrawals are generally tax-free
Are there required minimum distributions during my lifetime?	Yes. Distributions must begin by the April 1st following the year you reach age 70½.	No. Distributions are not required during your lifetime.
Is there federal income tax on distributions?	Yes, to the extent that a distribution represents deductible contributions and investment earnings.	Yes, the penalty applies to the earnings portions if you are under age 59½ and do not qualify for an exception.
Do beneficiaries pay income tax on distributions after the IRA owner's death?	Yes, to the extent that a distribution represents deductible contributions and investment earnings.	Generally, no, as long as it is a Qualified Distribution.

Key Differences: IRAs vs. 457 Plan

- **Participants may withdraw funds when working**
- **Spousal contributions permitted**
- **Separate Internal Revenue Code authority**
- **Mandatory withholding is 10% for IRAs, 20% for 457 plans**
- **Not eligible for loans**
- **Minimum distribution must be separately calculated**
- **IRAs subject to early distribution penalty prior to age 59½**