



# DGP News

JANUARY 2024



*Create and Live Your Best Retirement*



CITY OF *Los Angeles*  
DEFERRED COMPENSATION PLAN

92779-2065-1





# Retirement withdrawal strategies

## Fixed income (and easy living)

Often you hear retirees talk about living on a “fixed income.” While you may think you are currently living on a fixed income because you know what your salary is (including the occasional bonus and raise) while you are working, it is a different story when you become a retiree. Yet, just as a person in his or her working years needs to budget and plan smartly, so do retirees. Once you retire, the word “fixed” takes on a much more dramatic meaning.

If retirement is around the corner (or if you’re just thinking ahead), there’s no reason to look at a fixed income in retirement as a bad thing. It just takes some adjusting — which is something you’ve already been doing for years to make the most of the money you earn.



## Start by looking at potential sources of retirement income

There are several ways you can generate income during your retirement. As a regular City of Los Angeles employee, your main retirement income may be coming from:

- **Your City pension benefit.** The pension benefit you receive at retirement may account for a significant portion of your retirement income. Your benefit will depend on the number of your service years, your salary near retirement, and the retirement factor for your retirement tier. Generally, a civilian employee who worked for 30 years may receive up to 60% of their pay in retirement, while a civilian employee who worked 15 years will receive up to 30% in retirement<sup>1</sup>. For projections of your pension benefit, please contact your pension system.
  - **City Civilian Employees** - Los Angeles City Employees' Retirement System ([lacers.org](https://lacers.org))
  - **Sworn Employees** - Los Angeles Fire & Police Pensions ([lafpp.com](https://lafpp.com))
  - **DWP Employees** - Water and Power Employees' Retirement Plan ([retirement.ladwp.com](https://retirement.ladwp.com))
- **Your Deferred Compensation Plan account and/or other retirement savings accounts.** Your Deferred Compensation Plan (DCP) account and other retirement savings accounts may have pre-tax and/or Roth (after-tax) dollars that can be used to create a supplemental income stream in retirement.
  - *Tax-Deferred or Pre-tax Dollars.* Some experts recommend a withdrawal rate of 4% per year from retirement accounts such as 457 plans (like the DCP), 401(k) plans, and Traditional IRAs. Everyone's situation is different, however. The amount you may wish to withdraw depends on the amount you've saved, how much it is earning, and how long you may need the income through your retirement. Plus, you must consider the income taxes that are required to be paid at the time of withdrawal.
  - *Tax-free or Roth (after-tax dollars).* If you have Roth (after-tax) contributions in the DCP and/or money in a Roth IRA, money can be withdrawn income tax-free<sup>2</sup>.

To help visualize your retirement income from your City pension program and your DCP together, log in to [LA457.com](https://LA457.com) and use the Retirement Calculator feature. Select *Let's talk about your retirement savings > Your other retirement savings and income* to factor in your estimated pension benefit and DCP income at retirement.

You might further be able to supplement your retirement through other income streams, which can include:

- Any Social Security benefits you may be eligible for from non-City employment years
- Scheduled payments from variable annuities
- Interest paid by bonds or stock dividends
- Selling of securities and using the proceeds as income
- Certificates of Deposit
- Rental property income

<sup>1</sup> Benefits will differ based on pension plan and tier.

<sup>2</sup> Distributions from a Roth (after-tax) account are federal income tax-free as long as the criteria of a "qualified distribution" are met (you've satisfied the 5-year holding period and are age 59 ½ or older, disabled, or deceased).



## Fixed income? Says who?

Once you've determined your possible sources of retirement income, consider withdrawal strategies that can help make your money last longer. For instance, there's no reason you have to withdraw the same amount every year.

**An example:** You may want to withdraw more during the early part of your retirement, when you're more active and perhaps want to travel or play more golf. Later in retirement, when you're more inclined to kick back and relax, you may need less income to support your lifestyle. Or you can do just the opposite—take it easy on the withdrawals in the early years, while possibly supplementing your income with a part-time job. Then, as you feel more comfortable about your income stream, you can gradually ramp up your withdrawals. Medical expenses tend to increase with age, so this is a smart approach for many people.

## Getting your retirement ducks in a row

If you're not concerned about leaving money to heirs, many financial professionals recommend that you spend down your accounts in this order:

1. Tax-free accounts (such as Roth (after-tax) 457 DCP funds or Roth IRA)
2. Taxable products (such as bank CDs)
3. Tax-deferred accounts (such as your pre-tax 457 DCP funds and Traditional IRA)

Following this order postpones paying income taxes and keeps more of your money potentially growing tax-deferred. It may also help you manage your income tax bracket in later years and thus reduce the total amount of retirement income that you pay toward income taxes.

Just remember, you must begin making Required Minimum Distributions (RMDs) — and paying taxes on the withdrawals — from pre-tax 457 DCP funds and Traditional IRAs by age 73<sup>1</sup>. Failure to do so, or taking less than the correct RMD, can lead to heavy penalties.

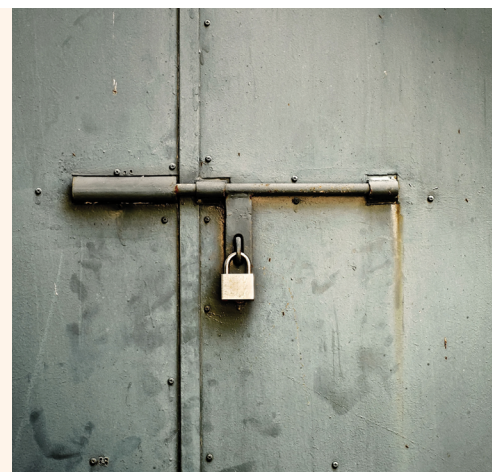
You should be able to enjoy a fulfilling retirement on a fixed income once you have identified a retirement withdrawal strategy that will meet your needs. When it comes to the DCP, you have options — including the option of staying in the plan while you receive retirement income withdrawals. For more information about your DCP distribution options, visit [LA457.com/your-distribution-options](https://LA457.com/your-distribution-options) or schedule an appointment with a Local Retirement Counselor at [LA457.com/contact-us](https://LA457.com/contact-us) and start creating your retirement income strategy today to worry less later.

<sup>1</sup>The first RMD must be taken by April in the calendar year following the year you turn 73 (if you turn 73 in 2024, your first RMD must be taken by April 2025). While the DCP will send you reminder notifications, participants should prepare accordingly for the start of their RMD.

## CYBERSECURITY CORNER

### Have you reviewed your DCP account activity lately?

Regularly monitoring your DCP account and reviewing your statement each quarter is one of the most important steps you can take to safeguard your retirement account against bad actors. While you may have a keen eye on the performance of your investments, reviewing withdrawals, contributions, and other transactions is just as important. If you notice any unusual activity, contact the Service Center at 844-523-2457.





# DCP News

- **Save more in 2024! DCP contribution limits have increased**

Every year, the IRS announces the annual contribution limits for retirement savings accounts. If you are contributing less than the limit for 2024, you can increase or change the amount you save for retirement at any time during the year. Check out the updated limits below.

Contribution Limits	New 2024 Contribution Limits		2023 Contribution Limits	
	Annual Limit	Paycheck Amount*	Annual Limit	Paycheck Amount*
Below Age 50	\$23,000	\$920	\$22,500	\$900
Age 50+**	\$30,500	\$1,220	\$30,000	\$1,200
Special Catch-Up***	\$46,000	\$1,840	\$45,000	\$1,800

For more information about contribution options, visit [LA457.com/contributions](https://LA457.com/contributions).

\*Participants can elect biweekly contributions in any amount they choose. These paycheck amounts are provided as an example for participants who choose to contribute the maximum annual amount in 25 regular and equal payments over the calendar year.

\*\*Participants 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.

\*\*\*Special Catch-Up is available for participants who are within at least three years of eligible retirement age. It allows these participants to contribute up to twice the Below Age 50 contribution amount for three consecutive years. To be eligible, a participant must additionally have an unused balance representing amounts the participant was eligible to but did not contribute in prior years. To learn more, please contact a DCP local retirement counselor by making an appointment at [LA457.com/contact-us](https://LA457.com/contact-us).

- **Elections for the Board of Deferred Compensation Administration**

The Board of Deferred Compensation Administration will be holding elections in May 2024 for the following seats: **Active Participant Water and Power Employees' Retirement Plan (WPERP) Representative and Retiree Representative**. Note that these two positions represent the interests of Deferred Compensation Plan (DCP) participants who are active members of WPERP or retiree members, respectively. As one of the most important benefits provided to City employees, the DCP helps employees accumulate future retirement wealth and income security. DCP Board members play a vital role in shaping plan design, features, and services by engaging in administrative oversight, vendor selection, and investment review. Eligible participants who are interested in running for office will have the opportunity to submit nominating petitions around March 2024. To review full election details and important dates, visit [LA457.com/elections2024](https://LA457.com/elections2024). For more information related to the Board and the governance of the plan, visit [LA457.com/plan-governance](https://LA457.com/plan-governance).

- **“First-of-the-month” contribution change rule eliminated**

As a result of Congress passing the Consolidated Appropriations Act of 2023, which contained the Setting Every Community Up for Retirement Enhancement 2.0 Act of 2022 (“SECURE 2.0”), the “first-of-the-month” rule was eliminated. Currently, contribution changes must be made prior to the first day of the month the contribution change is taking place. For example, a contribution change for a paycheck in June must be made before May 31. This is known as the “first-of-the-month” rule and was set in place by the IRS. Beginning with your paycheck on March 6, 2024, contribution changes can be made within the same month and will be processed as soon as administratively possible. For more information about DCP changes resulting from the implementation of the SECURE 2.0 Act, visit [LA457.com/secure-2023](https://LA457.com/secure-2023).

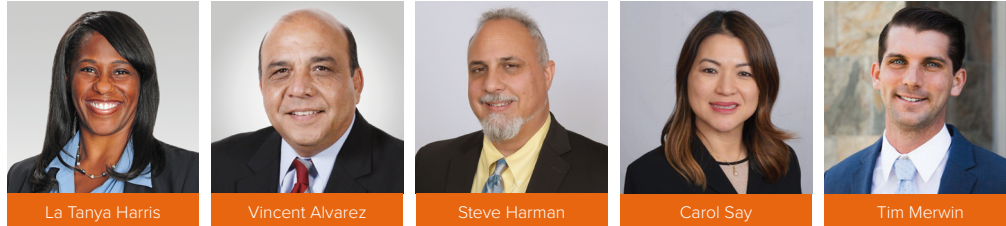
- **City Payroll System Conversion delayed until June 2024**

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 now anticipated to launch by June 2024. Please make sure to stay tuned for any updates on the HRP project as the conversion date nears.



# 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.



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](https://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](https://LA457.com/contact-us), or email [LA457@lacity.org](mailto: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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