DEFERRED COMPENSATION PLAN

2017

City of Eugene
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City of Eugene

Deferred Compensation Plan Handbook
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Introduction

The Deferred Compensation Plan is a voluntary supplemental retirement program available to eligible City of Eugene employees to help you save for retirement on a tax-advantaged basis. Even if you are planning on collecting retirement benefits from Social Security and Oregon PERS/OPSRP, it may still make sense to participate in and contribute to the Deferred Compensation Plan to supplement your retirement income.

When you participate in the Deferred Compensation Plan, you defer a portion of your current compensation and you avoid current income tax liability until you withdraw the funds. The funds are held in by the Plan for the exclusive benefit of plan participants.

Deferred compensation is allowed under Internal Revenue Code Section 457 for employees of state, county, and municipal governments. This is the reason you may hear people call the Deferred Compensation Plan a "457 plan."

This program can be an important step in saving for your retirement by offering you the opportunity to:

- Enhance your financial security during your retirement years;
- Obtain current income tax advantages;
- Choose from a variety of investment options; and
- Choose from a variety of payment options at retirement.

This handbook is a summary of the Deferred Compensation Plan. The legal plan document, which governs in all cases and sets forth the plan in full, is available in Risk Services and on the Risk Services Employee Benefits Program website at www.eugene-or.gov/employeebenefits. For more information, contact Risk Services at (541) 682-8868.

Access to Your Deferred Compensation Plan Account

Your Deferred Compensation Plan account is designed to be a source of income after you leave City employment and is not intended as a savings account for emergencies and daily incidentals during your working years. Internal Revenue Service (IRS) regulations specify that the funds in your Deferred Compensation Plan account cannot be accessed unless you:

- terminate employment with the City of Eugene;
- experience a financial emergency arising from events beyond your control as defined by the IRS;
- qualify for the Voluntary Small Account Withdrawal;
- reach the age 70½; or
- pass away.

Refer to the *Access to Your Money* section of this handbook for details on how you can access the money in your Deferred Compensation Plan account.

The Benefits of a Deferred Compensation Plan Account

A Deferred Compensation Plan Account Can Lower Your Taxes

One of the biggest advantages of the Deferred Compensation Plan is that contributions are made on a pre-tax basis. The amount you elect to defer is deducted from your income before federal, state, and local taxes are taken out. Payroll deductions into your Deferred Compensation Plan account reduce your taxable income and can reduce the federal, state, and local income taxes you pay each month. Your pre-tax contribution is then sent to the Deferred Compensation Plan carrier to be invested according to your instructions.

Immediate Tax Benefits

For example, Susan is a City of Eugene employee who earns $3,500 per month. Take a look at the chart to the right to see the net effect on her paycheck if she saves 10 percent in the Deferred Compensation Plan each month. This chart illustrates how you save on current taxes when you save in the Deferred Compensation Plan.

Susan's taxable income, total income tax paid, and take-home pay all change when she participates in the Deferred Compensation Plan. In the far right column, Susan, who is contributing 10 percent of her salary to her Deferred Compensation Plan account, is taxed at the federal, state, and local level as if she has a monthly income of only $3,150 and her total income tax paid decreases. If Susan saved 10 percent outside the plan, her take-home pay would be $84 less than saving within the plan.

Wages and Taxes	Without Deferred Compensation	Saving 10% in Deferred Compensation
Gross Monthly Wages	$3,500	$3,500
Monthly Contribution	$0	$350
Taxable Income	$3,500	$3,150
Total Income Tax Paid	$840	$756
FICA Tax Paid	$268	$268
Money Saved Outside the Plan	$350	$0
Take-Home Pay	**$2,042**	**$2,126**

Assumes a federal tax rate of fifteen percent and a state and local tax rate of nine percent. FICA taxes are based on gross wages. This is an illustration only. Your personal situation will probably be different depending on your tax rates and filing status. Check with your tax advisor to see how contributing to the Deferred Compensation Plan will affect your take-home pay.

Deferred Compensation Tax Advantages

Comparing the differences between saving through your Deferred Compensation Plan and saving in an after-tax account (like a savings account or a brokerage account), you will recognize the substantial advantages of investing through a tax-deferred plan. The example below demonstrates how, by participating in the pre-tax Deferred Compensation Plan, you can add more to your retirement savings and potentially reduce your tax liability.

Pre-Tax vs. After-Tax Contributions

	Arthur Without DC Plan	Susan With DC Plan
Initial Contribution/ Monthly Contrition	$350	$350
Federal Income Tax	$53	$0
State and Local Income Tax Paid	$32	$0
Net Contribution	$265	$350

Both Susan and Arthur are setting aside 10 percent of their salary but Susan can contribute $85 more than Arthur each month by saving through her Deferred Compensation Plan!

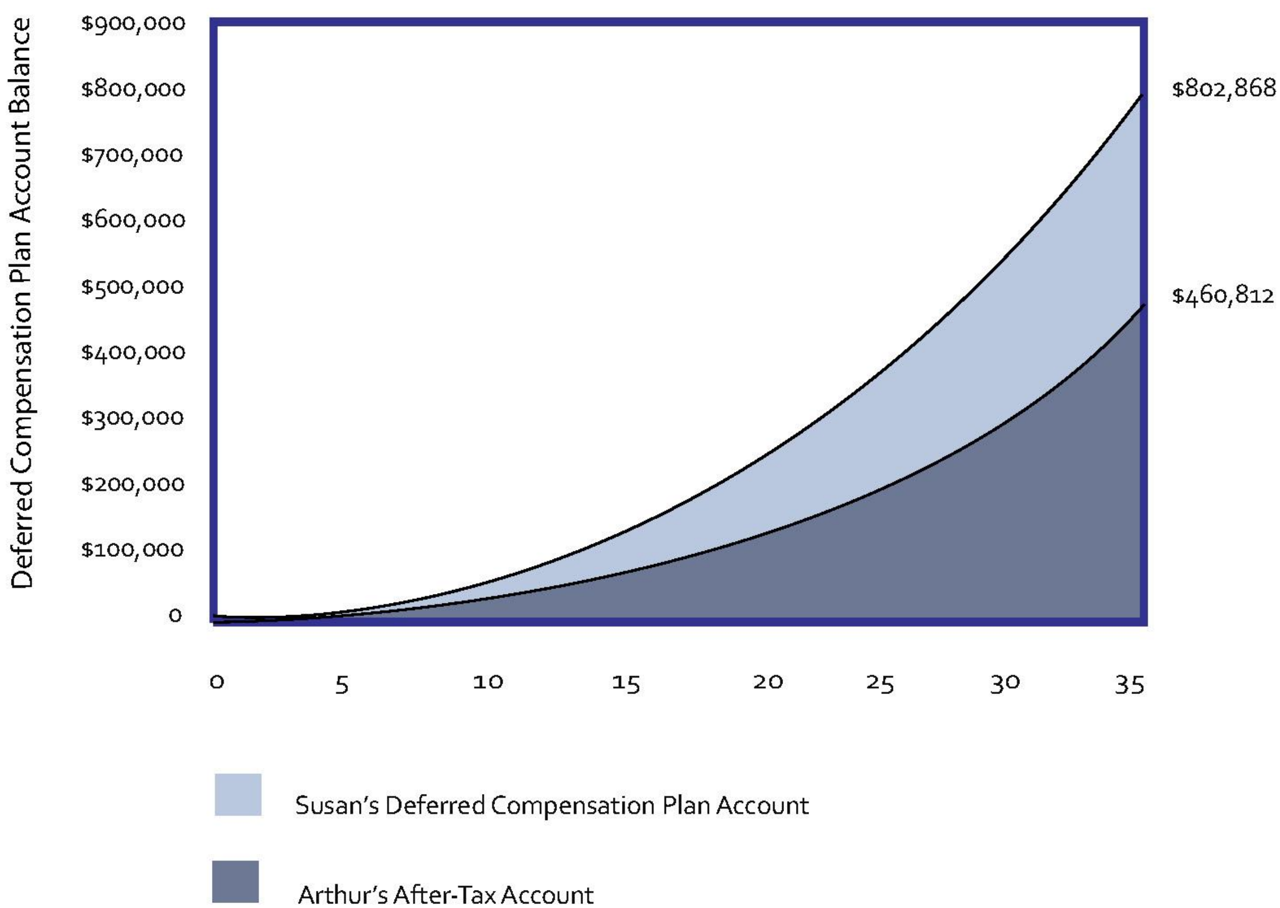
All deferred compensation contributions are subject to FICA tax.

In the chart on the next page, Susan is saving $350 per month in her pre-tax Deferred Compensation Plan account. Arthur is also setting aside $350 each month; but, since he is saving in an after-tax account, his actual savings deposit is only $265.

Power of Tax-Deferred Growth

Your savings can also grow faster in a Deferred Compensation Plan account thanks to the advantage of tax-deferred growth. In the Deferred Compensation Plan, you do not pay taxes on your account earnings until you withdraw them. (Normally, growth within an after-tax account is taxed annually.) This means that the money you would have paid in taxes can remain in your Plan account and generate additional earnings. This helps your savings grow faster. An illustration of this advantage is shown in the chart below. In addition, if you are in a lower tax bracket during retirement compared to your working years, you could pay lower taxes on these earnings.

This chart compares the accumulation of Susan's $350 monthly contribution into her Deferred Compensation Plan account against Arthur's after tax $265 monthly contribution into an account and taxable earnings over 35 years.



Assumes contributions are made at the end of each month and account grows eight percent each year compounded monthly. After-tax contribution assumes fifteen percent federal tax rate and nine percent state and local tax rate. After-tax account growth is taxed at fifteen percent each year compounded annually. For illustrative purposes it has been assumed that the tax rate applies to the total account return of eight percent regardless of whether it includes dividends, capital gains, or capital appreciation. All withdrawals from your Deferred Compensation Plan account will be taxed as ordinary income at distribution. This table is for illustrative purposes only and is not intended as a guarantee of a specific rate of return. Your actual results will probably be different.

Keep in mind that all money in a tax-deferred account will eventually be taxed at distribution as ordinary income. Also, if you contribute to an after-tax account, you give up an immediate tax break, but you will maintain immediate access to your savings.

Roth Option After-Tax Contributions

The City of Eugene's 457(b) Deferred Compensation Plan now includes a Roth 457(b) feature. This option doesn't change how much you can contribute, but rather gives you more control over when your contributions – and retirement income – will be subject to federal income tax.

Unlike contributions to a traditional 457 plan, which are made on a pre-tax basis, contributions to a Roth 457 are made on an after-tax basis. What this means is that taxes are withheld from your Roth contributions before they're invested in your account. In exchange you may be able to withdraw your contributions and any earnings tax-free when you retire, which could mean more retirement income.

The Roth Option may be right for people who:

- Expect to be in a higher tax bracket in retirement
- Are in a lower tax bracket today or have other large tax deductions
- Want tax-free withdrawals in retirement
- Exceed Roth IRA income limitations.

Traditional 457(b) vs Roth 457(b) Comparison

	TRADITIONAL 457(b)	ROTH 457(b)
Money going in (contributions)	**Pre-tax** contributions are deducted from your salary before federal income taxes are taken. That can reduce your taxable income.	**After-tax** contributions are subject to federal (and where applicable, state and local) income tax withholding.
Earnings, if any	Are tax-deferred until withdrawn.	If you are eligible for a distribution from the 457 plan, are tax-free as long as certain qualifying conditions are met. Roth contributions must be held at least five years before date of distribution and you are age 59½ (assuming separation from service), have died, or become disabled. If the requirements are not met, and the assets are not rolled over to another eligible plan, the earnings portion of the distribution will be taxable.
Money coming out (distributions)	Distributions are taxable as current income for federal income tax purposes when withdrawn.	Tax-free distributions for federal income tax purposes, as long as you are eligible for a distribution under the 457 plan and you've satisfied the five-year holding period and are age 59½ or older (assuming you have separated from service), disabled, or deceased. If the requirements are not met, and the assets are not rolled over to another eligible plan, the earnings portion of the distribution will be taxable.
Money moving on (rollovers)	Rollovers allowed to another Traditional governmental 457(b), 403(b), 401(a)/(k), or Traditional IRA or (if rolled directly) to Roth IRA. Amounts rolled to or from a non-457 eligible retirement plan remains subject to the 10% IRS premature distribution penalty tax unless an exemption applies.	Rollovers allowed to another Roth account in a 457(b), 403(b), 401(k), or Roth IRA. Any holding period under the Roth 457 does not count toward the 5-year holding period under the Roth IRA when Roth 457 amounts are rolled to the Roth IRA. The 5-year holding period for qualified distributions from a Roth IRA is determined from the date of the first contribution under the Roth IRA.
Required minimum distributions (RMD)	The IRS requires distributions to begin at age 70½ or retirement, whichever is later. An IRS 50% penalty tax applies to any RMD amount not taken in a timely manner. However, traditional 457 amounts can be rolled into a Roth IRA, which has no RMD requirement during a participants lifetime.	The IRS requires distributions to begin at age 70½ or retirement, whichever is later, and subject to 50% penalty on required minimum distribution (RMD) amount not taken. However, you can roll over your Roth 457(b) to a Roth IRA, where minimum distributions are not required.

Eligibility

Participation in the Deferred Compensation Plan is available to all AFSCME-, EPEA-, IAFF-represented employees, and regular non-represented employees. IATSE-represented regular employees who are eligible for health and life insurance benefits are also eligible to participate in the Deferred Compensation Plan.

Who Should Participate?

If you do not currently have a savings account with enough savings to meet emergencies, pay for vacations, college, home repairs, and other regular expenses, you should not yet participate in the Deferred Compensation Plan. Remember, once you contribute to your Deferred Compensation Plan account, there are restrictions on when you can withdraw your account balance. After establishing an adequate rainy-day fund for emergencies, vacations, college, and other family expenses, you may want to consider enrolling in the Plan and start contributing.

Deferred Compensation Plan Services Provider

The City of Eugene uses Voya Financial as the services provider for the Deferred Compensation Plan.

Voya offers a full range of investment options, including a fixed — or guaranteed — interest rate option and a variety of mutual fund variable investment options. Voya also provides information, tools and support to help you understand your investment choices and make sound decisions. Financial planning services are available through the local office or online through the custom website.

Voya Customer Service Options

Local Office:
(541) 343-6759
160 E. Broadway, Suite 200
Eugene, OR 97401

- Enrollment
- Investment Allocation Changes
- Customized Asset Allocation Models
- Financial Planning
- Retirement Planning
- Retirement Gap Analysis (including PERS/OPSRP)

National Office:
(800) 584-6001 (toll-free)

- To speak with an operator, contact them between 5:00 a.m. and 7:00 p.m. Pacific Time
- 24 hour, 7 day-a-week access to your account balance information, investment allocation changes, and transfers (via an automated voice response system)

Website:
Voya also offers a variety of information and services through their website at: www.voyaretirementplans.com

The site provides:

- 24 hour, 7 day-a-week access to your account balance information, investment allocation changes, and transfers

- Financial and investment education reports

- Interactive financial calculators to determine your retirement needs and estimate how much you'll need to save to reach your objectives

- Morningstar Advice Online — investment advisory services

Enrollment

Enrollment is Easy

You can enroll in the Plan at any time by completing an *EZ Enrollment Form* available on the City of Eugene Deferred Compensation website http://www.eugene-or.gov/688/Deferred-Compensation or you can contact our local Voya representatives at 541-343-6759. Our Voya representatives are available to assist you with enrollment, fund selection and financial/retirement planning.

Automatic Enrollment. All new AFSCME-Represented employees will be automatically enrolled in the Deferred Compensation Plan unless they decline enrollment within 31 days of date of hire. If you are automatically enrolled in the Plan, 1% of your base salary will be contributed into a pre-tax deferred compensation account each pay period. Your 1% contribution will be matched by a City contribution of 2% of your base salary to your pre-tax account.

How Much Can You Defer?

As a participant in the Deferred Compensation Plan, you elect how much of your salary you want to defer, up to the limits allowed by the IRS. You can defer as little as $12.50 per pay period. In most instances, the maximum amount you can defer is 100 percent of your gross salary or the deferral limit allowed by the IRS, whichever is less.

Year	Regular Deferral Limit
2017	$18,000
The maximum contribution limit is indexed for inflation in $500 increments based on IRS cost of living adjustments.	

Catch-Up Contributions Let You Defer More into Your Plan Account

There are two types of catch-up contributions designed to help workers who are closer to retirement boost their retirement savings. You may be able to use either the Age 50 Catch-up or the Pre-retirement Catch-up provisions to contribute more to your Plan account.

For Employees Age 50 or Older

If you are 50 years of age or older, a special provision is available to you save more for retirement. In order to take advantage of the Age 50 Catch-up provision — and contribute more to your account — you must be age 50 by end of the year in which you make the catch-up contribution. In 2017, you can add an additional $6,000 to the normal limit if you qualify for the Age 50 Catch-up.

Year	Total Deferral Limit Including Age 50 Catch-Up
2017	$24,000
This age 50+ catch-up provision is indexed for inflation in $500 increments based on IRS cost of living adjustments.	

For Employees Nearing Retirement

With the provision known as the Pre-retirement Catch-up, you may be able to contribute additional funds in the three years prior to — but not including — the calendar year in which you will reach your Normal Retirement Age. According to the IRS, Normal Retirement Age begins at age 70½ unless you elect an earlier retirement age. The earliest retirement age you can choose is the earliest age you can retire under Oregon PERS/OPSRP without a reduction in benefits.

The amount you are entitled to contribute using the Pre-retirement Catch-up program depends on your income, the limits below, and how much you have deferred in previous years. You can never contribute more than you earn in any year. However, with the Pre-retirement Catch-up, you can contribute the lesser amount of twice the regular annual contribution limit or the annual contribution limit plus any shortfalls (the difference between what you actually contributed and what you were allowed to contribute per IRS guidelines) in previous years.

In 2017, the Pre-retirement Catch-up contribution limit is $36,000.

For example, if Alice's shortfall over the past 10 years totals $13,000, Alice can contribute $31,000 ($18,000 + $13,000) to her Plan account in 2014 by using the Pre-retirement Catch-up. If her shortfall were $20,000, the maximum she could contribute would be the annual limit of $36,000 in 2017.

Year	Pre-retirement Catch-Up
2017	$36,000

This catch-up provision is indexed for inflation in $1,000 increments based on IRS cost of living adjustments. In order to calculate the shortfall in previous years, only those years after 1978 where you were eligible to participate in the Deferred Compensation Plan can be considered.

It is important to note that the special Age 50 Catch-up contribution cannot be used in the same year in which the Pre-retirement Catch-up is used. Contact the Deferred Compensation Plan carrier for more information on the catch-up contributions

Employer Contributions – Deferred Compensation Benefit

Non-Represented Employees: If you defer at least one percent of your base salary into your Deferred Compensation Plan account each pay period the City of Eugene will contribute 3.% of your base salary into your Pre-tax Deferred Compensation option with the City.

AFSCME-Represented Employees: AIf you defer at least one percent of your base salary into your Deferred Compensation account each pay period the City of Eugene will contribute 2% of your base salary into your Pre-tax Deferred Compensation option with the City.

EPEA-Represented Employees: Effective July 1, 2017, if you defer at least one percent of your base salary into your Deferred Compensation account each pay period the City of Eugene will contribute 1% of your base salary into your Pre-tax Deferred Compensation option with the City. Effective July 1, 2018 the City's contribution will increase to 2.75% of the employee's base salary.

Note: Employees must defer at least one percent into their deferred compensation account each pay period in order to be eligible to receive the City's contribution.

How Much Should You Defer?

Since virtually no two employees will have the same retirement income needs, every situation will be different. Social Security retirement benefits and pension payouts will affect how much you may want to contribute to your Deferred Compensation Plan account. However, there are some general guidelines.

- If you start early and begin saving for your retirement in your 20s, saving three to five percent of your total income may be enough. This is if you consistently save three to five percent until retirement.
- Waiting until your 30s to begin saving for your retirement will mean saving a little more, maybe six to 11 percent of your total income until retirement.
- Trying to catch up can be difficult if you wait until your 40s to start saving. It will likely take saving 12 percent or more of your income if you plan to fully retire by age 65! Remember, it is never too late to start.

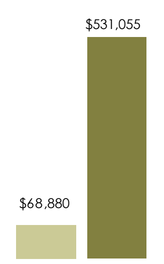
Starting Age	Savings Guidelines as a Percent of Salary
20-29	3-5%
30-39	6-11%
40+	12% or more

Assumes no current retirement savings. Inflation rate of 3.25 percent and retirement age of 65. Replacing 70 percent of income during retirement. Includes estimated Social Security benefits. Eight percent annual investment return before retirement and seven percent after retirement. Life expectancy of age 85. All funds exhausted at age 85. Saving money before taxes taken out (pre-tax savings).

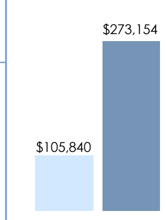
The earlier you start saving, the longer you have to take advantage of tax-deferred compounded earnings. Time gives your savings the opportunity to grow — over and over! Take a look at Gary who starts saving in his Deferred Compensation Plan account at age 25. At age 65, his account has grown $531,055 after contributing a total of $68,880. Next, look at Andrea who waits until age 45 to begin saving in her Deferred Compensation Plan account. She has $273,154 in her account at age 65. Although Andrea's account balance is much less than Gary's, Andrea has a sizeable nest egg for retirement. Remember, it is never too early — or too late — to start saving in your Deferred Compensation Plan account.

It is Never Too Early or Too Late

Gary Starts Saving at Age 25	
Contributes Monthly	$140
Total Contribution	$68,880
Deferred Compensation Plan Account Balance at Age 65	$531,055



Andrea Starts Saving at Age 45	
Contributes Monthly	$420
Total Contribution	$105,840
Deferred Compensation Plan Account Balance at Age 65	$273,154



Assumes contributions are made at end of each month and account grows eight percent each year compounded monthly. This table is for illustrative purposes only and is not intended as a guarantee of a specific rate of return. Your actual results will probably be different.

Voya, the City's Deferred Compensation Plan carrier, can assist you with financial planning advice to help you determine how to reach you retirement goals.

Potential Growth Over Time

The potential growth of your Deferred Compensation Plan account contributions over long periods of time is shown here, assuming monthly contributions of $50, $100, $200, and $300.

Deferred Compensation Plan Account Balance Over Time

Years of Saving	$50/month	$100/month	$200/month	$300/month
10 Years	$9,147	$18,295	$36,589	$54,884
20 Years	$29,451	$58,903	$117,806	$176,708
30 Years	$74,519	$149,038	$298,075	$447,113
40 Years	$174,552	$349,105	$698,209	$1,047,314

Assumes contributions are made at the end of each month and account grows eight percent each year compounded monthly. This table is for illustrative purposes only and is not intended as a guarantee of a specific rate of return. Your actual results will probably be different.

Changing or Stopping Your Deferrals

Employees are able to start, stop, or change deferred compensation amounts at any time during the year. Changes will be effective in the month following completion of deferral forms, as required by IRS regulations. If you want to start contributing or change your deferral amount, you can do so by contacting your Deferred Compensation Plan representative directly. If you want to change or stop your deferrals, submit an amended Deferred Compensation Plan Participation Agreement to the Central Payroll Office directly. The agreement is available on the Risk Services Employee Benefits Program website at www.eugene-or.gov/employeebenefits.

Changes will be effective in the month following the date the new Participation Agreement is submitted. Agreements received by the Central Payroll Office one week prior to the last day of the month will be processed with the first pay period of the next month.

Investment Options

You Decide How Your Money is Invested

The City of Eugene's Deferred Compensation Plan offers a variety of investment options to match a wide range of financial goals, from fixed-interest accounts to variable accounts. The variety of options allows you to reduce investment risk and diversify — or spread — your investment dollars over a variety of investments or asset classes. How much you invest in each asset class is called asset allocation.

Fixed Accounts

With a fixed account, your Deferred Compensation Plan carrier generally guarantees both your principal and your rate of interest. Please note that the City of Eugene does not guarantee your account. See your carrier for more information on guaranteed investments.

Variable Accounts

Variable account options, do not guarantee the safety of your principal investment or a minimum rate of return. If you invest in a variable account option, there is a chance that you may lose some or all of your principal due to downturns in the stock or bond markets.

Diversification and asset allocation are key factors in determining how your investment performs over the long term. For more information on asset allocation within your Deferred Compensation Plan account, you may want to contact your local Voya representative or go to the Voya website at www.voyaretirementplans.com.

The City of Eugene Deferred Compensation Plan also includes a Self-Directed Brokerage Account (SDBA) as an additional investment option. This option gives you the freedom to invest a portion of your plan assets in a self-directed brokerage account that provides access to a wider array of investment choices, including open-end mutual funds, fixed income securities, ETFs, and publicly traded stocks (all for an additional fee and at your own risk).

Account Status Update

Voya will send you a statement following every calendar quarter showing the activity in your account during the previous quarter. This statement will also provide you with up-to-date information concerning total contributions and your account balance. You can access your personal account and review current return information at the Voya Financial website: www.voyaretirementplans.com

Performance Information on the Employee Benefits Program Website

Information on individual investment options, performance information, and risk and return potentials of representative funds are available on the Employee Benefits Program website at www.eugene-or.gov/employeebenefits. This data is updated quarterly. Use this information as a guideline, but remember that past performance does not guarantee future results.

You should discuss the advantages and disadvantages of investing in variable and fixed options with your Deferred Compensation Plan representative.

Access to Your Money

Although the money in your Deferred Compensation Plan account is always yours, remember that access to your account can occur only under the following circumstances:

- Termination of Employment
- Military Leave
- An approved Unforeseeable Emergency
- An approved Voluntary Small Account Withdrawal
- Reaching age 70½
- Divorce
- Upon your death

Termination of Employment, Including Retirement

You have the right to receive eligible distributions from your account when you retire or otherwise terminate employment with the City. Various payout options are available to you, depending on your needs and preferences. You can leave the money in your account, you can roll over the money into another type of retirement plan (another 457 deferred compensation plan, Individual Retirement Account (IRA), Roth IRA, 401(k), or 403(b) account) if the distribution is eligible for rollover, you can annuitize your money, or you can receive a cash distribution. There are advantages and disadvantages to each, so it is important to understand each choice. Upon termination, you should contact your Deferred Compensation Plan carrier for more information on the distribution option that may be most appropriate for you.

Military Leave

If you take a leave of absence to go on active duty for more than 30 days to serve in the Uniformed Services, including the Armed Forces, the Army National Guard or the Air National Guard, the Public Health Service, or any other category designated by the President in time of war or emergency, you are eligible for distribution from the Plan as described in the section above. If you elect to receive a distribution while on Military Leave, you cannot make any further Deferrals under the Plan for six months from the date of the distribution.

Unforeseeable Emergency

If you experience an "unforeseeable emergency," defined by IRS regulations as a severe financial hardship arising from a sudden and unexpected illness or accident, loss of property due to casualty, or other similar extraordinary and unforeseeable circumstances arising as a result of events beyond your control, you may be eligible for an emergency withdrawal. It must be a situation you could not have anticipated or otherwise budgeted for. The expense must not be reimbursable by insurance, and other available assets must have been exhausted prior to requesting the emergency withdrawal. The amount of the withdrawal is limited to the amount required to meet the emergency.

The following may currently qualify as an unforeseeable emergency:

- The imminent foreclosure of, or eviction from, a primary residence;
- The need to pay for medical expenses (including non-refundable deductibles and prescription medicine); or
- The need to pay for funeral expenses for a family member.

You cannot use emergency withdrawal funds to buy a home or pay for college costs.

Evidence of the emergency and financial hardship is required. To request an emergency withdrawal from your Voya account, contact Voya's local or national office.

It is important to remember that all withdrawals are still subject to ordinary income taxes, even if the withdrawal qualifies for an emergency.

Voluntary Small Account Withdrawal

You may withdraw money from your Deferred Compensation Plan account if all of the following circumstances apply:

- The total amount of your account (with all carriers) does not exceed $5,000; and
- You have not made any deferrals (contributions) to your Plan account during the 2-year period preceding the date of the withdrawal; and
- No prior withdrawal has been made from your account (except an emergency withdrawal); and
- No portion of your account is set aside for a former spouse under a court order.

Your total account balance, even if held by more than one Deferred Compensation Plan carrier, must be distributed under this provision. You may receive only one Voluntary Small Account Withdrawal under the plan. In other words, this option is available one time only while you are employed with the City of Eugene.

Again, keep in mind that if you withdraw money under this scenario, the withdrawal is subject to ordinary income taxes.

Age 70 ½ Withdrawal

You may withdraw all or part of your deferred compensation account if you are still working for the City as of the first day of the calendar year in which you turn 70 ½.

Divorce

The City's Deferred Compensation Plan does accept Qualified Domestic Relations Orders (QDROs). In the event you and your spouse divorce, your account (or a portion thereof) shall be distributed in accordance with the terms of a QDRO. Such distribution may be made as soon as practicable, irrespective of whether or not you are entitled to a distribution.

An "alternate payee" with respect to a QDRO who is the spouse or former spouse of the participant shall pay the tax on the distribution and shall have the same rights as a participant in regard to the direct transfer of distributions to an eligible retirement plan. Contact Voya for more information.

Upon Your Death

All money in your Deferred Compensation Plan account will be distributed according to the most recent Beneficiary Designation Form on file with your Deferred Compensation Plan carrier(s) at the time of your death. If no form is on file, or if the listed beneficiaries pass away before — or at the same time as — you do, all money in your account will be distributed according to the laws of the state in which you lived at the time of your death.

If it has been a year or longer since you have reviewed your Beneficiary Designation Form, you may want to either review it or fill out a new one. The Voya Beneficiary Designation Form is available on the Employee Benefits website at www.eugene-or.gov/employeebenefits.

If you elect to annuitize your Deferred Compensation Plan account balance, you trade your lump sum for a stream of income. If you choose this option, your beneficiaries may have no claim to this money upon your death.

Carefully consider all distribution options and each option's advantages and disadvantages before deciding. Weigh their effect on your needs as well as on any survivor needs.

Final Deferral of Accumulated Leave

Upon termination of employment with the City of Eugene, employees can defer accumulated leave payoffs into their Deferred Compensation Plan account. Under IRS regulations, the Deferred Compensation Participation Agreement deferring the final payoffs must be signed prior to the first day of the calendar month in which the leave will be paid. To obtain a form, contact Risk Services Employee Benefits Program visit the website at www.eugene-or.gov/employeebenefits.

Portability

Any money contributed to your Deferred Compensation Plan account is 100 percent vested when you make the contribution. That means the money is always yours. If you decide to terminate employment with the City of Eugene, you can roll over your total account balance to another retirement account or you can receive a cash distribution. All qualified plans such as 457 plans, 401(k) or 403(b) accounts, and IRAs will be treated equally for rollover purposes.

If you have assets in a previous employer's account or an IRA, you may want to consider rolling the balance into your City of Eugene Deferred Compensation Plan account. Contact your Deferred Compensation Plan carrier for more information.

Frequently Asked Questions

How do I enroll in the Deferred Compensation Plan?
You can enroll in the Plan at any time by completing an *EZ Enrollment Form* available on the City of Eugene Deferred Compensation website http://www.eugene-or.gov/688/Deferred-Compensation or you can contact our local Voya representatives at 541-343-6759.

May I discontinue my contributions for a time and then continue them again later?
Yes. You may suspend (and renew) your contributions at any time. Changes will be effective in the month following completion of deferral forms, as required by IRS regulations. Your account may continue to accrue earnings on a tax-deferred basis.

May I make additional contributions to catch up for the years in which I didn't participate?
Yes. There are two types of catch-up contributions. Pre-retirement Catch-up is a special allowance for employees nearing retirement that allows for a higher contribution limit. Generally, you can contribute additional funds in each of the three calendar years prior to — but not including — the calendar year in which you attain your Normal Retirement Age. According to IRS rules, Normal Retirement Age is age 70½. However, you can elect in writing another Normal Retirement Age as long as it is no earlier than the earliest age at which you can retire under Oregon PERS/OPSRP without an early retirement reduction in your PERS/OPSRP benefits.

A special Age 50 Catch-up Provision allows you to contribute additional funds above the normal annual limit, if you are age 50 or older. However, you cannot use this Age 50 Catch-up Provision in the same year in which the Pre-retirement Catch-up is used. See pages 9 – 10 for more information.

How will the benefits from my Deferred Compensation Plan account be taxed?
The distributions will be taxed as ordinary income for the year in which you receive them. Please contact your Voya representatives for details on your payout options.

Who owns the money in my Deferred Compensation Plan Account?
The money in your Deferred Compensation Plan account is always yours. All assets in Deferred Compensation accounts must be held in a qualified trust, custodial account or annuity account for the exclusive benefit of participants and their beneficiaries. These assets are not subject to the claims or creditors of the City of Eugene. Remember that although the money is yours, access to it is limited. Your Plan account is not a savings account.

When will deductions begin for my requested contributions?
Participation is effective on the first pay period of the month following receipt of all required forms, *unless you specify a later date on your Participation Agreement Form*. If forms are received after the last day of the month, your participation will not be effective until the first pay period of the following month.

How do I increase, decrease, or stop my contributions?
Complete and return a Deferred Compensation Plan Participation Agreement Form to the Central Payroll office. The form is available on the Employee Benefits website at www.eugene-or.gov/employeebenefits.

What happens to my deferred compensation during an unpaid leave of absence?
When you stop receiving a paycheck, contributions will be suspended until you return to active status and have sufficient earnings to cover the deferral amount. Funds in your account will continue to be invested in the options you chose and you will continue to receive account statements from the providers.

If I end my employment with the City of Eugene, what happens to my money in my Deferred Compensation Plan account?

You have the right to receive eligible distributions from your account when you retire or otherwise terminate employment with the City. Rollover and various payout options are available to you, depending on your needs and preferences. Remember that ordinary income taxes may become due for the tax year in which you receive the money. See page 15 for more information.

Will my W-2 reflect Deferred Compensation deductions?

Yes. Your W-2 form will reflect the amount of salary that is considered for tax purposes and show the total amount you defer to the 457 plan annually.

Does participation in the Deferred Compensation Plan affect my Oregon PERS/OPSRP or Social Security benefits?

There is no impact on your PERS/OPSRP or Social Security benefits, to the extent that the amounts deferred under the plan will continue to be used for the calculation of contributions or benefits for those systems.

Are there any expenses associated with participating in this plan?

Voya: There are no sales, administration, withdrawal, or transfer expenses. However, Voya's variable funds charge investment management expenses, which are netted out of the funds' returns. Contact Voya for more information.

Can I roll over my Deferred Compensation Plan money into an IRA or any other type of savings plan?

Yes. Once you terminate employment with the City of Eugene you can roll over your Deferred Compensation Plan account money. The IRS allows a rollover of 457 Plan funds into an IRA, Roth IRA and other eligible retirement plans, including other 457 plans. If you are rolling over your 457 plan money into a 401(k) or 403(b) plan, or another 457 deferred compensation plan, make sure the new plan can accept the funds.

When do I become eligible to receive the funds in my deferred compensation account?

You are eligible to receive payments from your account when you leave employment with the City for any reason. You may also receive funds from your account in other limited circumstances, such as in the event of an approved financial emergency or military leave (See pages 14 – 16). When you are eligible for a distribution of your deferred compensation account, contact your Deferred Compensation Carrier to select your payout option. If no payout date is selected, payments may be scheduled to begin no later than April 1 of the calendar year following the calendar year in which you reach age 70 ½.

Will I have to wait until I am 59 ½ to receive the money?

No. Once you leave City employment you may choose to receive payments immediately or you may delay distribution until a future date. All distributions, however, must begin by April 1 in the year after you reach age 70 ½. There are no Federal tax penalties for withdrawing deferred compensation funds prior to age 59 ½.

For More Information Contact:

City of Eugene, Risk Services Division Employee Benefits Program	(541) 682-8868 www.eugene-or.gov/employeebenefits
Voya Financial	(541) 343-6759 www.voyaretirementplans.com