



Ready... Set... Roth!

Lace up, fuel up and warm up.
This is your step-by-step guide to Roth 457 contributions.



The Roth 457(b) contribution option.

You should consider the investment objectives, risks, and charges and expenses of the investment options carefully before investing. Fund prospectuses and an information booklet containing this and other information can be obtained by contacting your local representative. Please read the information carefully before investing.

Whether your retirement is 5k, a 1/2 marathon or a full marathon away, a Roth could help you keep pace with your retirement savings goals.

An added choice under the City of Eugene's 457(b) Deferred Compensation Plan provides opportunity for tax-free retirement income.*

The City of Eugene's 457(b) Deferred Compensation Plan gives you even more flexibility to save for retirement. The 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.

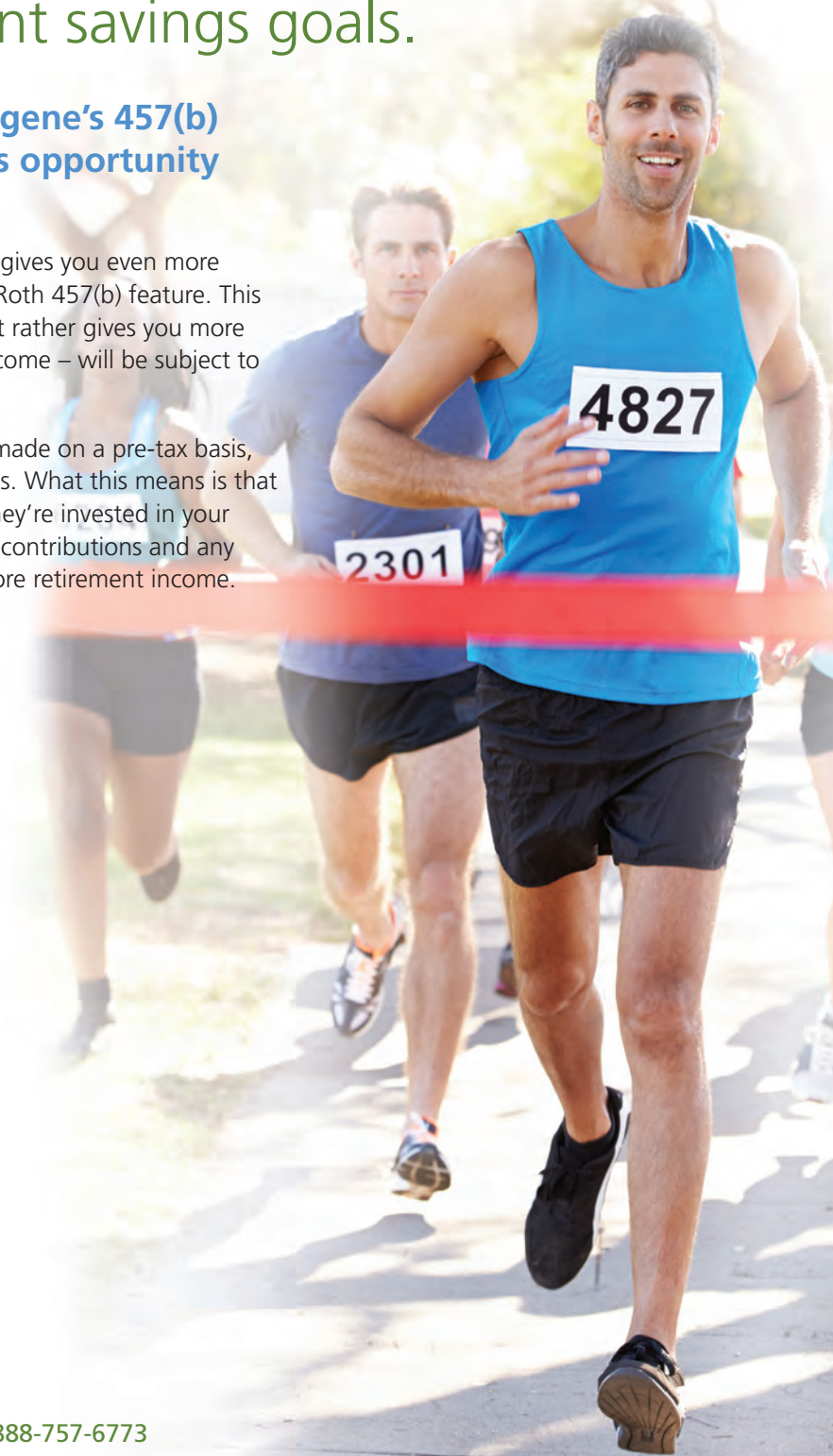
Unlike contributions to a traditional 457 plan, which are made on a pre-tax basis, contributions to a Roth 457 are made on an after-tax basis. What this means is that taxes are withheld from your Roth contributions before they're invested in your account. In exchange, you may be able to withdraw your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

*Qualifying conditions apply, see below.

A sprinter's guide to Roth

Contributions are after-tax and subject to tax withholding

- Withdrawals are after-tax, for federal income tax purposes (check state rules), as long as Roth contributions are held at least five years before date of distribution and you are age 59½ (assuming separation from service), have died, or become disabled.
- Roth 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



Not sure which course to run? A little cross-training could be helpful.

So how do you decide which savings option – traditional, Roth, or both – makes sense for you? It depends on whether you think your federal income tax rate will be higher at retirement, or lower.

Let's take a closer look.

	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 remain 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 participant's 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.

Voya does not offer legal or tax advice. Seek the advice of a tax attorney or tax adviser prior to making tax-related insurance/investment decisions.

This material is not intended to be used to avoid tax penalties, and was prepared to support the promotion or marketing of the matter addressed in this document. The taxpayer should seek advice from an independent tax adviser.

So, which option is right for you? Meet the other Rothers...

There are many reasons why a Roth 457(b), a Traditional 457(b) or a combination of both might be right for you. A lot depends on when you expect to be in a higher tax bracket – now or when you retire. You’ll also need to factor in your current financial situation, future goals and personal attitudes as well – as these scenarios illustrate.



**Jeff
(Age 45)**

Wants current tax break

Jeff considers himself in his “peak” earning years. He knows he won’t be making this money forever, but wants to enjoy it while he can.

- Doesn’t think he can afford to lose another tax deduction at this point
- Doesn’t really like change
- Expects to be in a lower tax bracket when he retires

	Traditional Pre-tax 457	Roth After-tax 457
Gross income	\$75,000	\$75,000
Annual salary available to save	\$10,000	\$10,000
Less taxes at 25% ¹	\$0	-\$2,500
Net yearly contributions	\$10,000	\$7,500
Total over 20 years	\$200,000	\$150,000
Value at retirement*	\$377,866	\$283,399
Less taxes at 15% ²	-\$56,680	—
After tax value	\$322,186	\$283,399

* Assumes a retirement age of 65 and monthly contributions earning 6% annual return.

CONSIDERING: Traditional 457



**Linda
(Age 25)**

Wants long-term tax-free growth potential

Linda just started working for the City. She feels good about the fact she’s already starting to build up her savings.

- Isn’t worried about the tax deduction now
- Confident her salary will increase over the years to come
- Expects to be in a higher tax bracket when she retires

	Traditional Pre-tax 457	Roth After-tax 457
Gross income	\$40,000	\$40,000
Annual salary available to save	\$3,000	\$3,000
Less taxes at 25% ¹	\$0	-\$750
Net yearly contributions	\$3,000	\$2,250
Total over 40 years	\$120,000	\$90,000
Value at retirement*	\$476,919	\$357,690
Less taxes at 33% ²	-\$157,383	—
After tax value	\$319,536	\$357,690

* Assumes a retirement age of 65 and monthly contributions earning 6% annual return.

CONSIDERING: Roth 457

¹ Based on current federal tax rates as of 2014.

² Hypothetical rates designed to illustrate impact of lower and higher tax rates in retirement.

Note: These are hypothetical illustrations for demonstration purposes only. They are not guaranteed nor intended to (1) serve as financial advice or as a primary basis for investment decisions or (2) imply the performance of any specific security. Contributions are subject to Internal Revenue Code limits. Systematic investing does not ensure a profit nor guarantee against loss. Investors should consider their ability to invest consistently in up as well as down markets. This example does not represent any specific product, nor does it reflect sales charges or other expenses that may be required for some investments. After-tax value of traditional 457(b) assumes a one-time lump-sum distribution. Your actual results may vary.

Wanda (Age 55)

Wants tax flexibility now and in retirement

Wanda likes the idea of tax-free retirement income, but also likes her current tax deduction. And she doesn't have a clue where taxes are headed in the future!

- Is getting close to retiring, but not that close
- Wants the flexibility to optimize her tax strategy year to year as she withdraws retirement income



Whichever option you choose, you still have access to:

Investment flexibility

You select from the same investment options.

Convenience

You can invest by using automatic payroll deductions.

Compound interest

Could work to your advantage when investing for the long term.

Higher contribution limits

You can contribute more through The City of Eugene Deferred Compensation Plan than you can in an individual retirement account (IRA) you set up on your own.

Before making an investment-related decision, you should carefully consider your specific situation and what may be the best option for you. Consider speaking with a local financial professional to help you evaluate all of the possible options.

	Traditional Pre-tax 457	Roth After-tax 457
Gross income	\$60,000	\$60,000
Annual salary available to save	\$6,000	\$6,000
Less taxes at 25% ¹	\$0	-\$1,500
Net yearly contributions	\$6,000	\$4,500
Total over 10 years	\$60,000	\$45,000
Value at retirement*	\$81,237	\$60,928
Less taxes at 25%	-\$20,309	\$0
After tax value	\$60,928	\$60,928

* Assumes a retirement age of 65 and monthly contributions earning 6% annual return.

CONSIDERING: Combination of Traditional and Roth

From the starting line to the finish line...

Here are answers to commonly asked questions



What is a Roth qualified distribution?

To be considered a Roth qualified distribution, and therefore earnings are distributed tax-free from federal income tax, there is a two-prong test that must be met:

- Five-year holding period, and
- Distribution on/after age 59½ (assuming you have separated from service), death, or disability. If distribution of your Roth account is not a Roth qualified distribution, the earnings will be subject to federal income tax unless rolled over to another eligible retirement plan.

What is the five-year rule?

It determines when you can take tax-free distribution of your earnings. Subject to your plan's distribution rules, you can withdraw money from your Roth 457 tax-free — as long as you satisfy this five-year rule and meet certain events. To make a tax-free withdrawal from your Roth 457 once you are eligible for a distribution from the 457 plan, your first Roth 457 contribution must have been made to your account at least five years ago and you must be at least age 59½ (assuming you have separated from service), become permanently disabled, or the assets are being paid to your beneficiaries following your death. Special rules apply to rollovers. Special rules apply in determining the five-year holding period if amounts were rolled over from another plan with a Roth feature.)

I'm young and currently in a lower tax bracket, but I expect my earnings to grow. Is the Roth 457(b) right for me?

It could be. The longer you can leave your money in your Roth 457(b) and the higher you expect your taxes to be in the future, you may be able to benefit from the tax-free income a Roth 457 may provide in the future.

I may retire in a few years. Is the Roth 457 right for me?

That depends on when you plan to start withdrawing money from your 457 account once you retire. To qualify for tax-free distribution of earnings from a Roth 457, you have to satisfy the five-year holding period. To make a tax-free withdrawal from your Roth 457, you have to be entitled to a distribution, and be 59½, disabled, or deceased and have made the initial Roth 457 contribution to your account at least five years ago.

I understand the tax differences between the Traditional and Roth 457(b) contribution options. How will taxes affect my employer's match (if my plan provides)?

Both Traditional and Roth 457(b) contributions are eligible for an employer match if your plan provides. The match will be held in a separate pre-tax account and treated as a pre-tax contribution and the earnings will be tax deferred. You will pay taxes on your employer match as well as the earnings on that match when you withdraw during retirement.

Does the IRS 10% premature distribution penalty tax apply?

Generally, no; an IRS 10% premature distribution penalty tax could apply if you were to roll designated Roth amounts from a 401(k) or 403(b) plan into a governmental 457(b) plan with a Roth feature if, when withdrawn, those amounts were considered non-qualified Roth distributions.

Why should I consider the Roth 457(b) instead of a Roth IRA?

Two key reasons:

1. Not everyone can qualify for a Roth IRA. You can contribute the full amount if your adjusted gross income (AGI) does not exceed a certain amount (in 2015, if filing status is single or head-of-household, AGI must be less than \$116,000. If filing status is married filing jointly, combined AGI must be less than \$183,000).
2. You can contribute significantly more to a Roth 457(b) than you could to a Roth IRA (if eligible). For 2015, participants can contribute up to \$18,000 to a Roth 457(b) (\$24,000 if age 50 or older and additional amounts may be contributed by certain longer-service employees). But they can only contribute \$5,500 to an individual Roth IRA (\$6,500 if over age 50).



How will contributing to a Roth 457(b) affect my take-home pay?

It could reduce it. Unlike a Traditional 457(b), contributions to a Roth 457(b) won't reduce your taxable income. So you'll actually be paying taxes on a higher amount, which could reduce your take-home pay. (See the example to the right)

Contributing to a Roth 457(b) may also affect your ability to take other tax credits and deductions (for example, student loan deductions, medical expense deductions and child care tax credits). Whether you qualify for these tax credits and deductions depends on your income level. Since Roth 457(b) contributions won't reduce your adjusted taxable income, that could affect your eligibility for these tax reductions.

	Traditional 457(b)	Roth 457(b)
Gross income	\$50,000	\$50,000
Traditional 457(b) contribution	-\$5,000	N/A
	Pre-Tax \$45,000	
Taxable Income	\$45,000	\$50,000
25% ¹ income taxes	-\$11,250	-\$12,500
After-tax income	\$33,750	\$37,500
Roth 457(b) contribution	N/A	-\$5,000
Take-home pay	\$33,750	\$32,500

¹ Based on current federal tax rates as of 2014 for a single individual or head of household

A participant should know their own stride.

Answer the questions below to see if a Roth 457 is right for you.

YES NO

- Plan to work quite a few more years before you retire?
- Think your tax rate will be higher by the time you retire?
- Willing to swap a current tax break for a longer-term tax benefit?
- Can you afford to save more of your annual salary now so you can contribute the same to your after-tax Roth 457(b) as you would to your pre-tax 457(b)?
- Like the idea of the potential for tax-free retirement income?
- Focused on passing as much as possible to your heirs?
- Do you currently max-out your pre-tax contributions?

NOTE: The more boxes you check "yes," the more you may want to consider the Roth 457 option.

Traditional, Roth, and both.

Can't decide? A combination of pre-tax and Roth after-tax contributions may be right for you if you:

- Like the idea of tax-free retirement income potential, but also like the current tax deduction on your pre-tax contributions.
- Believe your taxes in retirement will be about the same or are unsure where taxes are headed in the future.
- Would like the flexibility to optimize your tax strategy year to year as you withdraw your retirement income.

Just a spectator?

If you aren't contributing to the City of Eugene's 457(b) Deferred Compensation Plan you may be missing an opportunity to save for retirement. The sooner you start saving, the more you may have when you retire.

What are you waiting for? It only takes a few minutes.

- Go to www.voyaretirementplans.com/custom/eugene to download an Enrollment form
- Call **888-757-6773** to speak with a customer service associate

Have questions?

Visit the website:

www.voyaretirementplans.com/custom/eugene

Call our Eugene Office:

(541) 343-6759
160 E. Broadway, Ste 200

Contact Voya's national
Customer Contact Center

(800) 584-6001

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