



Retire with



PLAN HIGHLIGHTS

The City of Austin Deferred Compensation Plan is a voluntary retirement savings program designed to supplement your other retirement benefits or savings.

With the City of Austin Deferred Compensation Plan, you can save and invest consistently and automatically, choose from various investment options and learn more about saving and investing for your financial future.

Read these highlights to understand your plan and how easy it is to enroll.

GETTING STARTED

What is a 457 deferred compensation before-tax plan and a Roth after-tax plan?

A governmental 457(b) deferred compensation plan (457 plan*) is a retirement savings plan that allows eligible employees to supplement their existing retirement/pension benefits by voluntarily saving and investing a portion of their pay. The after-tax Roth contribution option provides the flexibility to designate all or a part of your 457(b) voluntary deferrals as Roth after-tax contributions.

With the before-tax contribution option, your contributions and any earnings aren't taxed (except Medicare and Social Security, which are required to be withheld) until the money is withdrawn — usually at retirement, when you would typically be in a lower federal income tax bracket. Roth contributions, on the other hand, are made with after-tax dollars, meaning you pay taxes now rather than when you take a qualified withdrawal. This can be beneficial if you're in a higher tax bracket at retirement. Whether you are saving with before-tax or after-tax Roth contributions, please keep in mind that you won't be able to withdraw your retirement savings from the plan while you're employed by the City until you reach age 59½.

*All references to the 457 plan are to a governmental 457(b) plan.

Why should I participate in the plan?

You may want to participate if you're interested in saving and investing additional money for retirement and/or reducing the amount of federal income taxes you pay each year. The City of Austin Deferred Compensation Plan can be an excellent tool to help you prepare for your future.

Is there any reason why I should not participate in the plan?

Participating may not be helpful if you're experiencing financial difficulties, have a lot of debt or don't have enough emergency savings (generally three to six months of income) in an easy-to-access account.

Does participation in the plan affect or reduce my City pension/retirement benefits?

No. The plan is an additional, supplemental retirement plan that doesn't replace or reduce your City pension retirement benefits.

Who is eligible to enroll?

Enrollment eligibility is based on the Plan Document. The City of Austin Plan Document states that any full-time, part-time, seasonal and temporary employees, and any elected officials are eligible to enroll.

How do I enroll?

Enroll online at dcaustin.com by clicking *REGISTER* and following the prompts. You can select your investment option(s) and how much you'd like to contribute each pay period. You'll also need to set up your account profile and select a beneficiary for your account. Online enrollment is secure and only takes a few minutes. If you prefer, you can also enroll over the phone or by requesting a paper enrollment form at **866-613-6189**.

What is the contribution amount?

In 2023, the minimum contribution amount for the before-tax and Roth after-tax plans is \$10 per paycheck or 1% of pay. The maximum you can contribute is up to 70% of your eligible annual income or up to the IRS maximum limit of \$22,500, whichever is less. Please note that the maximum limit of \$22,500 only applies to participants under the age of 50, and it applies to all combined before-tax and Roth after-tax contributions. The maximum contribution amount is often adjusted for inflation in subsequent years.

You also have two opportunities to catch up and contribute more during the final years of your career. These two Catch-up features may not be used in the same calendar year:

The Standard Catch-Up provision — allows you to contribute more in the three years prior to your normal retirement age. You can contribute up to double the normal limit (\$45,000 in 2023). This limit is subject to the amounts you were allowed to contribute in previous years but did not. Contact Empower for details or for a standard catch-up form.

The Age 50+ Catch-Up — allows participants age 50 and older to contribute an additional \$7,500 in 2023.

What are my investment option choices?

You can choose from a wide array of investment options broken down into three categories: Do It For Me, Do It Together and Do It Myself. Learn more about the available investment options at dcaustin.com or the toll-free voice response system at **866-613-6189**.

1. Do it for me — target date funds¹

Target date funds offer a single solution to investing and asset allocation and are chosen based on your expected retirement date and tolerance for risk.

The date in the name of the target date funds is the assumed date of retirement. The asset allocation becomes more conservative as the fund nears the target retirement date. The principal value of the fund is never guaranteed.

2. Do it together — core funds

Create your own fund mix from the core funds available in the plan to help meet your retirement goals. Be sure to consider the amount of time you have to invest and save — as well as your tolerance for risk — before investing.

Investing involves risk, including possible loss of principal.

3. Do it myself – Schwab self-directed brokerage account (SDBA)

Additional fees may apply to participate in the SDBA option, which is offered by Charles Schwab. Only publicly traded mutual funds are offered through the SDBA option. Learn more by calling Charles Schwab at **888-393-7272**.

The SDBA is intended for experienced investors who recognize and understand the risks associated with the investments contained in the SDBA.

Carefully consider the investment option's objectives, risks, fees, and expenses. Contact Empower for a prospectus, summary prospectus for SEC-registered products, or disclosure document for unregistered products, if available, containing this information. For prospectuses related to investments in your SDBA, contact Charles Schwab at 888-393-7272. Read them carefully before investing.

MANAGING YOUR ACCOUNT

How do I keep track of my account?

Empower will mail or email you a quarterly account statement showing your account balance and activity. You can also review your account by logging on to dcaustin.com or by calling the voice response system toll-free at **866-613-6189**.

If you choose to invest through the SDBA, you will receive a separate statement from Charles Schwab detailing the investment holdings and activity within your SDBA, including any fees and charges imposed in connection with the SDBA.

How do I make investment option changes?

You can make changes to your investment options online at dcaustin.com or through the voice response system toll-free at **866-613-6189**. You can:

- Move all or a portion of your existing balances among investment options (subject to plan rules).
- Change how your future payroll contributions are invested.

How do I change my deferral?

You can change your deferral and request future-dated deferral changes to your plan based on your pay date at dcaustin.com or the voice response system toll-free at **866-613-6189**.



ROLLOVERS/TRANSFERS

Can I roll over my account from my former employer's plan?

Yes. Plan-approved balances from 457(b), 403(b), 401(k) or 401(a) plans or IRAs may be rolled over to the City of Austin Deferred Compensation Plan's before-tax and Roth after-tax plans. Money from other types of plans or accounts that is rolled over into a governmental 457 plan may still be subject to the 10% federal early withdrawal penalty upon distribution from the 457 account prior to the investor reaching age 59½. Consider all your options and their features and fees before moving money between accounts.

Can I roll over my account if I leave employment with the City of Austin?

If you leave employment with the City of Austin, you can leave your money in the City of Austin's 457 Plan or you can roll over your account balance to a governmental 457(b), 403(b), 401(k) or 401(a) plan if your new employer accepts this type of rollover. You can also roll over your account balance to an IRA.

Leaving your money in the City of Austin Deferred Compensation Plan has its advantages, like potentially lower fees, access to your account balance at any time and dedicated representatives to help you.

Although greater portability among retirement plans may be convenient, think carefully about the possible tax consequences of moving account balances. Please keep in mind that if you roll over your 457 plan balance to a 403(b), 401(k) or 401(a) plan or an IRA, and your employment ends and you withdraw funds before reaching age 59½, your withdrawal will be subject to the 10% federal tax penalty upon distribution from the non-457 account. Please call **866-613-6189** for more information. Consider all your options and their features and fees before moving money between accounts.

Can I purchase service credit for my pension plan?

You may be able to purchase service credit for prior years of service or Supplementary Service Credit within your current pension plan by transferring all or some of your 457 account balance on a before-tax basis. Please note that you cannot purchase service credit with money from your Roth after-tax account. Not all retirement systems allow you to purchase service credit; contact your retirement system to see if you qualify.

VESTING

When am I vested in the plan?

Vesting refers to the percentage of your account you are entitled to receive when taking money out of the plan and using it for retirement income. Your contributions to the plan (including transfers from previous employers) and any earnings they generate are always 100% vested.

LOANS

Can I take a loan from my account?

Current and former employees are allowed to borrow the lesser of \$50,000 or 50% of their total account balance. The minimum loan amount is \$1,000, and you can have a maximum of two outstanding loans at any one time. You have up to five years to repay a general purpose loan and up to 15 years if the loan is used to purchase your primary residence. Loan payments are made through payroll deductions. There is a \$50 origination fee for each loan, deducted from the proceeds of the loan, and an annual maintenance fee of \$25 that is deducted at \$6.25 per quarter from your account. Please note: If you default on a loan — meaning you do not make your regularly scheduled payments — you will not be able to obtain another loan in the future. For more detailed information about loans, call **866-613-6189** or access the website at **dcaustin.com**.

WITHDRAWALS

When can I withdraw money from my account?

You are eligible to withdraw money from your 457 plan account when you:

- Retire;
- Terminate employment (as defined by Internal Revenue Code provisions);
- Reach age 59½;
- Suffer a financial hardship (as defined by the Internal Revenue Code); or
- Reach the required minimum distribution (RMD) age.²

Do I have to pay taxes on withdrawals?

Before-tax withdrawals are subject to ordinary income tax. Withdrawals of after-tax contributions and any earnings are not subject to ordinary income tax if the distribution occurs after age 59½, death or disability, and at least five years after your first Roth contribution.

What are my distribution options?

When you leave employment with your current employer or retire, you can choose to leave your savings in the City of Austin Deferred Compensation Plan. Or you may decide your best choice is to begin taking a distribution when you reach your RMD age.² You can receive:

- A lump-sum distribution.
- A partial lump-sum distribution with the remainder received as periodic payments.
- Periodic payments.

You can also transfer or roll over to another 457 plan, 403(b), 401(k), or 401(a) plan (if allowed by your new employer), or to an IRA.

What happens to my money when I die?

Your designated beneficiary(ies) will receive the remaining value of your account, if any. Your beneficiary(ies) must contact the local office to apply for a distribution.

TAXES

How does my participation in the plan affect my taxes?

You lower your taxable income if your contributions are taken out of your paycheck before taxes are calculated. You do not report any earnings from your account on your current income taxes, either. Your account is tax deferred (except Medicare and Social Security, which are required to be withheld) until you withdraw money, usually at retirement. You may also be eligible for a federal tax credit by contributing to this plan. Call **866-613-6189** for more information about the tax credit.

Withdrawals from the before-tax plan are taxable as ordinary income during the years in which they are distributed or made available to you or your beneficiary(ies).

If you want to pay taxes now rather than when you take a distribution, you can choose the Roth after-tax contribution. With the Roth after-tax contribution option, you pay taxes on the money when it is contributed. The Roth contribution option lets you essentially lock in today's tax rate on your contributions. This can be beneficial if you end up being in a higher tax bracket at retirement.

You also have the option to convert your before-tax account to Roth as an in-plan rollover. You are responsible for paying income tax on the amount you roll over into an in-plan Roth 457. You will pay taxes on the converted amounts when you file your taxes for that year.

These taxes cannot be paid from your 457 account. An IRS Form 1099-R will be mailed to you the following year to report the in-plan Roth rollover as taxable income. Be sure to talk with a tax professional before you request an in-plan Roth rollover. Once your request has been processed, it cannot be reversed.

FEES

What fees do I pay to participate in the plan?

Recordkeeping and administrative fees — To participate in the plan, an annual plan administration asset-based fee of 0.059% and a yearly plan sponsor administrative allowance fee of 0.02% of your account balance are required. These fees are calculated and deducted from your account monthly.

Investment management fees — Each investment option has an investment management fee (also known as an expense ratio) that varies by investment option. These fees are deducted by each investment option's management company (not by the plan or Empower) before the daily price or performance is calculated. Investment management fees pay for the trading of portfolio securities and other management expenses. You can find your plan's investment option expense ratios at **dcaustin.com**, via the voice response system toll-free at **866-613-6189**, in your plan's performance report or in each fund's prospectus.

Funds may impose fees on certain transfers, redemptions or exchanges if assets are held for less than the period stated in the fund's prospectus. For more information, please refer to the fund's prospectus.

Charles Schwab PCRA — You can choose to participate in the Charles Schwab SDBA option. The annual fee is \$50 and will be deducted from your account quarterly approximately one week prior to quarter-end (\$12.50 per quarter). Additional transaction fees also apply. For more information on the SDBA option, visit **dcaustin.com** and click the *Investing* menu link.

ADDITIONAL INFORMATION

How do I get more information?

Visit dcaustin.com or call the voice response system toll-free at **866-613-6189**. The website has information regarding the plan, investment options and financial education information as well as tools and services to help you manage your account. You can also email the plan at dcaustin@empower.com.

Can I get additional help?

If you want additional help, there are several options available at no extra cost to you:



Local Retirement Plan Counselors, who are dedicated to the City of Austin's plan, are available for one-on-one appointments, group meetings and seminars, and to answer your plan-related questions.



Financial planning services with a licensed financial professional are available if your financial situation requires an in-depth plan.



Point-in-time advice about your account or investments is available by calling **866-613-6189**.³



Questions?

Visit dcaustin.com, call **866-613-6189** or **schedule a meeting** with your local Retirement Plan Counselor.

¹ Asset allocation funds may be subject to operating expenses for the fund and for each underlying fund.

² As of January 1, 2023, the IRS generally requires you to start taking required minimum distributions (RMDs) at age 73. If you turned 72 in 2022 and delayed your first-time RMD until April 1, 2023, you must take your 2022 RMD by April 1, 2023, and your 2023 RMD by December 31, 2023.

³ Point-in-time-advice provided by an Empower representative may include savings, investment allocation, distribution and rollover advice, including advice on consolidating outside retirement accounts.

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