



Deferred
Compensation
Plan

457 PLAN HIGHLIGHTS



A BRIDGE TO  YOUR FUTURE.



The City of Austin Deferred Compensation Plan (the “Plan”) is a voluntary retirement benefit plan that allows you to save and invest money toward a secure financial future.

Whether you’ve been saving for years or are just getting started, the Plan has the tools you need to build a bridge to your future.

Roth 457 Feature Available in 2011

Through the Small Business Jobs Act of 2010, 457 deferred compensation plans, such as the City of Austin Deferred Compensation Plan, can offer a Roth 457 feature beginning in 2011. Under this new provision, you may contribute Roth after-tax dollars and other pre-tax dollars into your Plan account. While Roth 457 contributions will be subject to income tax in the year made, investment earnings are tax-free if the distribution meets certain IRS criteria. **Look for more information coming soon!**

Plan Highlights

- Contributions made on a pre-tax basis
 - You pay no taxes on the money you contribute
 - Contributions, interest, and earnings are all tax-deferred until withdrawn
- Convenient payroll deductions
- Affordable retirement plan; minimum monthly contribution amount is \$10 per paycheck
- Access to low-cost professional investment advice
 - Use free online advice tools to help you manage your account
 - Have an ING Advisor Representative manage your account for you for a fee
- Wide array of professionally managed investment options, including asset allocation portfolios and a self-directed brokerage account
- Easy account management, 24/7
 - Online at www.dcaustin.com
 - By phone at 1-877-66-AUSTIN

Learn More

Educational seminars and webinars are held throughout the City on a variety of topics, including investment basics, retirement planning, asset allocation techniques, and more. Go to www.dcaustin.com to find a meeting near you. Or call 1-877-66-AUSTIN, option 2, to speak with a local ING representative.

Bring it With You

If you have an IRA or retirement plan from a previous employer, you may want to consider transferring those funds into your Deferred Compensation Plan. By consolidating your retirement accounts, you benefit from the features available to you through the Plan.

Getting Started

What is a 457 deferred compensation plan?

A governmental 457(b) deferred compensation plan (457 plan) is a retirement savings plan that allows eligible employees to supplement existing retirement or pension benefits by saving and investing before-tax dollars through voluntary salary deferral.

Contributions and any earnings are tax-deferred until money is withdrawn, usually at retirement. While you're actively employed by the City, you can only take a distribution from your Plan account under certain circumstances, including a hardship withdrawal, loan, or de minimis distribution. Call **1-877-66-AUSTIN** or go to www.dcaustin.com for more information.

Why should I participate in the Plan?

While you may be receiving retirement income in the form of a pension and/or Social Security, that may not be enough. The City of Austin Deferred Compensation Plan can help supplement that income to help you achieve a financially secure future.

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

You may not want to participate if you are experiencing financial difficulties, have excessive debt, or do not have an adequate emergency fund (typically three to six months of income in an easy-to-access account).

How are the Plan's assets protected?

All Plan assets are held in trust for the exclusive benefit of Plan participants and their beneficiaries. This means that Plan assets are not subject to the claims of City creditors in the event of the City's bankruptcy.

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

No. The 457 plan is a supplementary plan that does not replace or reduce your City retirement benefits.

Who is eligible to enroll?

All employees, as defined by Personnel policies, are eligible to enroll.

How do I enroll?

You can enroll by completing an enrollment form available online at www.dcaustin.com under the “Forms” tab or by calling 1-877-66-AUSTIN and requesting one. You will need to indicate the amount you wish to contribute and select your investment option(s), as well as complete your beneficiary designation information.

What is the contribution amount?

The minimum contribution amount is \$10 per paycheck, or 1% of pay up to 100% of your includible income per year, or \$16,500 for 2010, whichever is less.

Catch-up Contributions

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 year:

- **“Standard” catch-up** allows participants to contribute more in the three years prior to normal retirement age. You may contribute up to double the normal contribution limit. This limit is subject to the amounts you were allowed to contribute in previous years but did not.
- **“Age 50+” catch-up** allows participants age 50 and older to contribute an additional amount.

For more information, including annual contribution limits, go to www.dcaustin.com or call 1-877-66-AUSTIN.

What are my investment option choices?

The Plan offers participants a diverse array of investment options. Detailed information about the investment options is available online at www.dcaustin.com or by calling 1-877-66-AUSTIN.

International

- American Century International Growth Fund
- Artisan International Fund
- Oppenheimer Global Fund
- Third Avenue Value Fund

Small Cap

- Columbia Acorn Fund
- Dreyfus Small Cap Stock Index Fund
- Neuberger Berman Genesis Trust

Mid Cap

- Aston/Optimum Mid Cap Fund
- Artisan Mid Cap Fund

Large Cap

- American Funds Growth Fund
- BlackRock S&P 500 Stock Fund
- Davis New York Venture A Fund
- T. Rowe Price Equity Income Fund
- Van Kampen Growth & Income Fund

Bond

- MFS High Income Fund
- PIMCO Total Return Fund

Fixed

- Velocity Credit Union
- Austin Fixed Option

One Choice Portfolio

- One Choice Portfolio®: Very Conservative
- One Choice Portfolio®: Conservative
- One Choice Portfolio®: Moderate
- One Choice Portfolio®: Aggressive
- One Choice Portfolio®: Very Aggressive

Brokerage

- Charles Schwab
- Schwab SDB Money Market Fund

For an additional fee, you may be eligible to participate in the Charles Schwab Personal Choice Retirement Account® (PCRA) option. Only publicly traded mutual funds are offered through the PCRA option. Additional information can be obtained by calling Charles Schwab at 1-888-393-7272.

Managing Your Account

How do I keep track of my account?

You will receive a quarterly account statement in the mail or electronically from ING, the Plan's record keeper. At any time, you can also review your account or generate a statement online at www.dcaustin.com.

How do I make investment option changes?

You can change your investment options online at www.dcaustin.com under the "My Account" tab or by calling 1-877-66-AUSTIN.

You must have your password and username to make changes to your account online or by phone. Your password will be sent to you in the mail. If you forget or lose your password, go to www.dcaustin.com and select "Forgot your password?" under the User Login box or you can call 1-877-66-AUSTIN to request a reminder. A reminder of your password will be mailed to your address of record within three business days of making the request online or by phone.

How do I change my deferral?

You can change the amount you contribute to the Plan online at www.dcaustin.com under the "My Account" tab or by calling 1-877-66-AUSTIN.

Transfers and Rollovers

May I transfer or roll my account over from my former employer's plan?

Yes. Plan-approved balances from other 457, 403(b), 401(k), 401(a) plans, or IRAs may be rolled over to the City of Austin Deferred Compensation

Plan. You must complete a rollover/transfer form available online at www.dcaustin.com under the “Forms” tab or by calling 1-877-66-AUSTIN to request one be sent to you.

May I transfer or roll my account over if I leave employment with my current employer?

If you leave employment with your current employer, you may roll your account balance over to a 457, 403(b), 401(k), or 401(a) plan if your new employer accepts this type of rollover. You may also roll your account balance over to an IRA.

Please keep in mind that if you roll your 457 plan balance over to a 403(b), 401(k), 401(a) plan, or an IRA, withdrawals of funds at severance of employment before age 59½ will be subject to the 10% federal tax penalty.

Can I use my 457 account balance to purchase service credit for my defined benefit plan?

You may purchase service credit for prior years of service or additional permissive years within your current defined benefit plan by transferring all or some of your 457 account balance on a before-tax basis. 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 upon distribution from the Plan. Your contributions to the Plan, plus any earnings they generate, are 100% vested (including transfers from previous employers).

Loans

Can I take a loan from my account?

You can have up to two outstanding loans from your account. You may borrow the lesser of \$50,000 or 50% of your total account balance, provided you

are still employed by the City. The minimum loan amount is \$1,000. You have up to five years to repay a general-purpose loan and up to 30 years if the loan is used to purchase your primary residence. Loan payments are made through payroll deductions. There is also a \$50 origination fee for each loan.

Withdrawals

When can I withdraw money from my account?

You may withdraw only when you:

- Separate employment from the City
- Suffer an unforeseeable emergency (as defined by the Internal Revenue Code)
- Die (your beneficiary receives your benefits)

All withdrawals are subject to ordinary income tax.

What are my distribution options when I terminate employment?

- Keep your money in the Plan until you reach age 70½ and are required to take minimum distributions
- Receive:
 - A lump-sum distribution
 - A partial lump-sum distribution
 - Periodic payments
 - Annuity payments
- Transfer or roll over to another 457 plan or to a 403(b), 401(k), or 401(a) plan if allowed by your new employer, or to an IRA

Please note: The 10% early withdrawal penalty does not apply to 457 plan withdrawals.

What happens to my money when I die?

Your designated beneficiary(ies) will receive the remaining value of your account. Your beneficiary(ies) must contact ING, the Plan record keeper, to apply for a distribution.

Taxes

How does my participation in the Plan affect my taxes?

Because your contributions are taken out of your paycheck before taxes are calculated, you pay less in current income taxes. You do not report any earnings from your account on your current income taxes either. Your account is tax-deferred until you withdraw money, usually at retirement. You may also be eligible for a federal tax credit by contributing to this Plan. Call **1-877-66-AUSTIN** for more information about this tax credit. Withdrawals from this Plan are taxable as ordinary income during the years in which they are distributed or made available to you or to your beneficiary(ies).

Investment Advice

What if I need help choosing my investment options?

The Plan offers low-cost professional investment advice through ING Advisor Service. You can manage your account yourself with the help of free online advice tools, or for a fee, have an ING Advisor Representative manage your account for you. For more information, go to www.dcaustin.com and select “ING Advisor Service” or call **1-877-66-AUSTIN**, option 1, to speak with an ING Advisor Representative.

Fees

Are there fees to participate in the Plan?

There is no fee for record keeping and administration of the Plan, but the following fees may be assessed to participants to cover expenses.

Investment Management: 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 ING) before the daily price or performance is calculated. Investment management fees pay for trading and

other management expenses. You can find the expense ratio for your plan investment(s) by calling **1-877-66-AUSTIN**, option 1. Funds may also 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 appropriate prospectus.

Note: The BlackRock S&P 500 Stock Fund has an additional annual asset fee of 0.10% assessed quarterly.

If you choose to participate in the Schwab PCRA Option, additional transaction fees also apply. For more information, call Charles Schwab at 1-888-393-7272.

ING Advisor Service: There is no cost to use the online advice tools available through the service. If you would like an ING Advisor to manage your account for you, the Professional Account Manager program fee is 0.50% of your account balance per year. So, for each \$10,000 in your account, you receive professional management for about \$4.17 a month; that fee is reduced for balances above \$50,000. There are no hidden fees, no commissions, and no transaction fees for the program.

Participation in the Professional Account Manager program is voluntary. You may opt in or out at any time. If you cancel participation in the Professional Account Manager program, the fee will be based on your account balance on the date of cancellation and will be deducted from your account within five to seven business days of the cancellation date.



How do I get more information?

Visit the Plan Web site at www.dcaustin.com or call the toll-free Plan Information Line at 1-877-66-AUSTIN. Registered representatives are available weekdays, 7 a.m. to 7 p.m. Central Time. Local ING representatives are also available by phone weekdays, 8:30 a.m. to 5:30 p.m. Central Time. Or stop by the local office located at 10900 Stonelake Boulevard, Suite B-150 in Austin.

