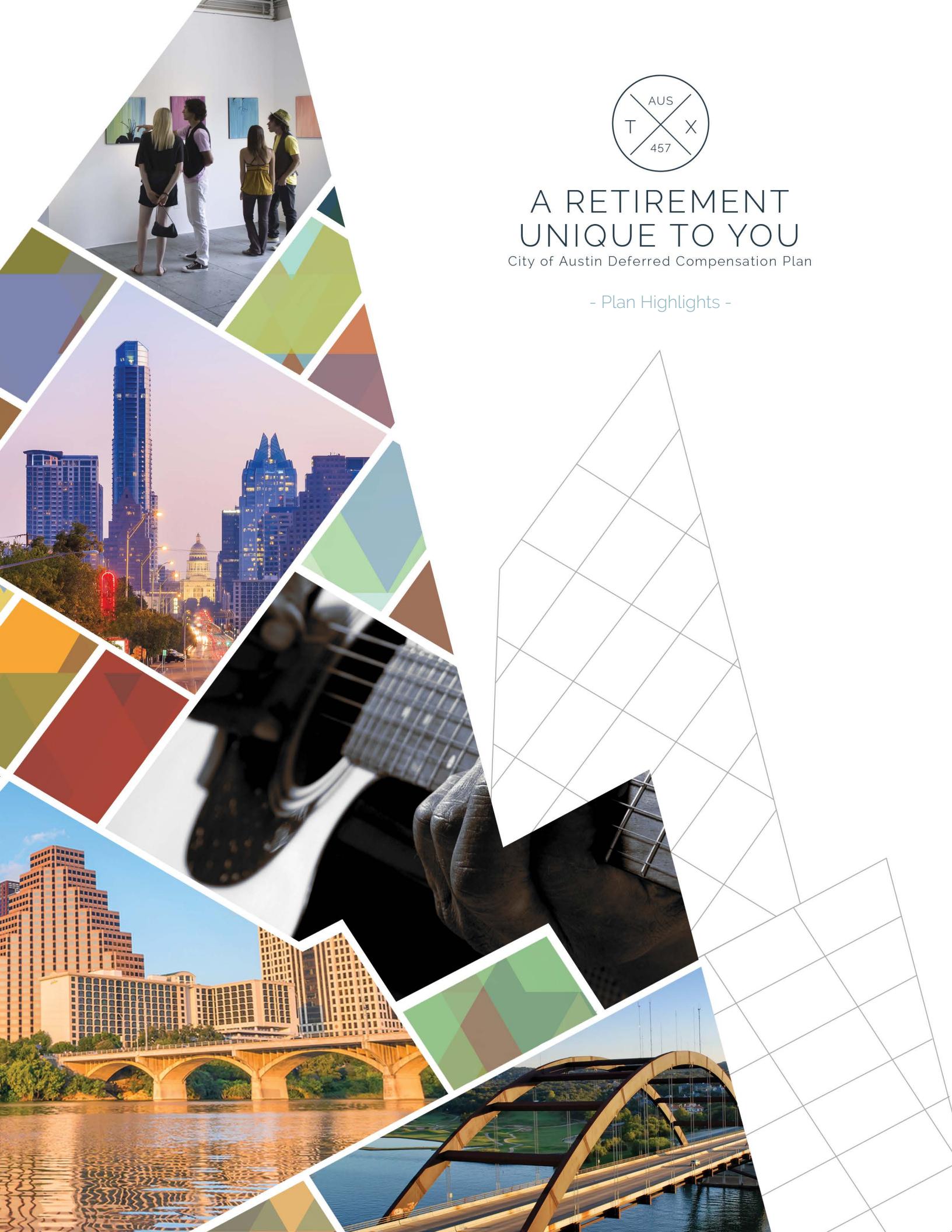




## A RETIREMENT UNIQUE TO YOU

City of Austin Deferred Compensation Plan

- Plan Highlights -



# The City of Austin Deferred Compensation Plan



A RETIREMENT  
UNIQUE TO YOU

is a powerful tool to help you plan a future that is unique to your retirement. As a supplement to other retirement benefits or savings that you may have, this voluntary plan allows you to save and invest extra money for retirement — before taxes or after taxes!

With the City of Austin Deferred Compensation Plan, you will be able to save and invest consistently and automatically, choose from a variety of investment options, and learn more about saving and investing for your financial future. Read these highlights to learn more about your plan and how simple 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 any existing retirement/pension benefits by saving and investing before-tax dollars through voluntary salary deferral. The after-tax Roth option gives you the flexibility to designate all or part of your 457(b) elective deferrals as Roth after-tax contributions.

With the before-tax plan, contributions and any earnings are tax deferred (except Medicare and Social Security, which are required to be withheld) until money is withdrawn, usually at retirement, when a participant is typically receiving less income and is in a lower federal income tax bracket than while working. Conversely, all Roth contributions are made with after-tax dollars. After-tax dollars mean you pay taxes now rather than when you take a qualified distribution. This can be beneficial if you end up being in a higher tax bracket at retirement. Please keep in mind that you will not have withdrawal access to your retirement savings in the plan while 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 are 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 advantageous 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).

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

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

### Who is eligible to enroll?

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

### How do I enroll?

Complete an Enrollment form or visit the website at [www.dcaustin.com](http://www.dcaustin.com) to enroll online. You will need to indicate the amount you wish to contribute and select your investment option(s), as well as fill out a Beneficiary Designation form.

### 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 may contribute is up to 70% of your eligible income per year, or \$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 sources of combined contributions (i.e., before-tax and Roth after-tax contributions).

Generally, the maximum contribution amount then may be indexed for inflation in subsequent years.

You also have two different 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 participants to contribute more in the three years prior to normal retirement age. You may 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.
- 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 diverse array of investment options broken down into three categories: Do It For Me, Do It Together, Do It Myself.

- **Do It For Me – Target date funds:**<sup>1</sup> Target date funds offer a single solution to investing and asset allocation and are chosen based on your expected retirement date and risk tolerance.

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

- **Do It Together – Seven core funds:** Create your own fund mix from seven core funds available in the plan to help you meet your retirement goals. Be sure to consider your time horizon and risk tolerance prior to investing.
  - » Austin Stable Value Fund<sup>2</sup>
  - » Metropolitan West Total Return Bond Plan<sup>3</sup>
  - » Vanguard Institutional Index I Plus
  - » Vanguard Mid Cap Index Ins<sup>4</sup>
  - » Vanguard Small Cap Index Instl<sup>4</sup>
  - » MFS International Diversification Fund Class R6<sup>5</sup>
  - » DFA Real Estate Securities I<sup>6</sup>

Investing involves risk, including possible loss of principal.

## What are my investment option choices? (continued)

### • Do It Myself – Schwab self-directed brokerage account (SDBA):

- » Additional fees may apply to participate in the Personal Choice Retirement Account® (PCRA) option. The PCRA option is offered by Charles Schwab. Only publicly traded mutual funds are offered through the PCRA option. Additional information can be obtained by calling Charles Schwab at 888-393-7272.
- » The SDBA is intended for knowledgeable investors who acknowledge and understand the risks associated with the investments contained in the SDBA.

Additional investment option information is available via the website at [www.dcaustin.com](http://www.dcaustin.com) or the toll-free voice response system at **866-613-6189**.

*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 self-directed brokerage account (SDBA), contact your SDBA provider. Read them carefully before investing.*

## Managing your account

### How do I keep track of my account?

Empower will mail or electronically send you a quarterly account statement showing your account balance and activity.

You can also review your account by logging on to the website at [www.dcaustin.com](http://www.dcaustin.com) or by calling the voice response system toll free at **866-613-6189**.

You will receive a separate statement from Charles Schwab for your self-directed brokerage account that will detail 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?<sup>7</sup>

You can make changes to your investment options online at [www.dcaustin.com](http://www.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 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 via the website at [www.dcaustin.com](http://www.dcaustin.com) or the voice response system toll free at **866-613-6189**.

## Rollovers/transfers

### May 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.

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

If you leave employment with your current employer, you may 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 may 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 a dedicated representative to help you.

Although greater portability among retirement plans may be a convenience, 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, withdrawals of funds at severance of employment before age 59½ will become subject to the 10% federal tax penalty upon distribution from the non-457 account. Please contact the local office for more information. Consider all your options and their features and fees before moving money between accounts.

### May I purchase service credit for my defined benefit plan?

You may purchase service credit for prior years of service or Supplementary Service Credit within your current defined benefit plan by transferring all or some of your 457 account balance on a before-tax basis. *Please note you may not purchase service credit with money from your Roth after-tax account.* 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 (including transfers from previous employers) to the plan and any earnings they generate are always 100% vested.

## Loans

### May I take a loan from my account?

Current and former employees are allowed to borrow the lesser of \$50,000 or 50% of your total account balance. The minimum loan amount is \$1,000, and you are allowed 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, please contact the local office or access the website at [www.dcaustin.com](http://www.dcaustin.com).

## Withdrawals

### When can I withdraw money from my account?

You may withdraw only 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).
- Die (your beneficiary receives your benefits).
- Reach required minimum distribution (RMD) age.<sup>8</sup>

## 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 provided that 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 may 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.<sup>8</sup>

You may receive:

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

You may also transfer or roll over to another 457 plan; to a 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?

If your contributions are taken out of your paycheck before taxes are calculated, you lower your taxable income. 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 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 the local office for more information about this 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 to 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** – There is an annual recordkeeping fee of 0.0425% of your account balance to participate in the plan. This fee is calculated and deducted from your account monthly.

**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 Empower) before the daily price or performance is calculated. Investment management fees pay for trading of portfolio securities and other management expenses. You can find your plan's investment option expense ratios on the website at [www.dcaustin.com](http://www.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 may choose to participate in the Charles Schwab PCRA 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 PCRA option, visit the website at [www.dcaustin.com](http://www.dcaustin.com) and click on the *Investing* menu link.

## How do I get more information?

Visit the website at [www.dcaustin.com](http://www.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](mailto:dcaustin@empower.com).

Austin representatives are available at no cost to you for one-on-one appointments, group meetings and seminars and will be available to answer your plan-related questions.

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

<sup>2</sup> The Austin Stable Value Fund is a guaranteed separate account group annuity contract issued by Empower Annuity Insurance Company of America, Corporate Headquarters: Greenwood Village, CO. The fund guarantees principal and credited interest for eligible participant-initiated withdrawals and transfers. Guarantees are subject to the terms and conditions of the contract and the claims-paying ability of the insurer. Guaranteed separate account products have interest rate, inflation and credit risks associated with the underlying assets owned by the fund. Depending on the terms of the contract, investment risks associated with certain plan sponsor actions may include, but are not limited to, termination of the contract, mass layoffs or plan termination that could result in payment of proceeds to the plan sponsor of the lesser of the fund's market value and principal plus credited interest. For more information, please contact Empower or refer to the contract.

<sup>3</sup> Bond prices generally fall when interest rates rise (and vice versa) and are subject to risks, including changes in credit quality, market valuations, inflation, liquidity and default. High-yield bonds have a greater risk of default.

<sup>4</sup> Securities of small and mid-size companies may be more volatile than securities of larger, more established companies.

<sup>5</sup> Foreign securities involve risks, such as currency fluctuations, economic changes and political developments. These risks may be heightened in emerging markets, which may also experience liquidity risk.

<sup>6</sup> Real estate securities and trusts involve risks, including declining property values, changes in zoning laws or losses from casualty. Real estate securities that invest in foreign real estate involve additional risks, including currency fluctuations and political developments.

<sup>7</sup> Transaction requests received in good order after the close of the New York Stock Exchange will be processed the next business day.

<sup>8</sup> The RMD age is 70½ for individuals who turned 70½ on or before December 31, 2019. The RMD age is 72 for individuals who turn age 70½ after December 31, 2019.

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98752-01-FBK-WF-1740316-1222(2209550) R02101787-0422