

Understanding the Program Differences between FICA and DCP

	Deferred Compensation Plan	Social Security
Tax Status	The portion of an employee's pay contributed to the 457 and pre-tax 401(k) plans is not currently subject to federal, state and local income taxes. Roth 401(k) contributions are immediately subject to federal, state and local income taxes but earnings are tax-free.	The portion of pay contributed to Social Security is subject to taxation.
Contribution Amount	This Plan allows an employee to save up to \$15,000 a year for each Plan for calendar year 2006.	An employee contributes 6.2% of salary. For those employees hired after April 1986 the FICA tax is 7.65% (which includes the 1.45% for Medicare tax).
Catch-Up Provision	Deferral Acceleration for Retirement (DAR) is a 457 Plan catch-up or buy back provision to allow for greater tax savings and account build-up before retirement.	There is no catch-up or buy-back provision to allow for a greater Social Security benefit.
Investment of Contribution	This Plan lets participants choose how they want their money invested among the various professionally managed investment funds. They can select fixed income funds, variable income/growth funds, or both, or even choose a pre-arranged portfolio.	There is no choice. Contribution amounts are placed into a federal trust.
Plan Benefit Payments	<p>The 457 Plan lets participants withdraw funds upon termination of City service without penalty. The 401(k) Plan allows participants to withdraw funds upon reaching age 59 1/2 without penalty regardless of employment status. Roth 401(k) participants receive tax-free distributions upon reaching age 59 1/2 and it has been at least five calendar years from the first contribution.</p> <p>Participants in both plans must begin to withdraw their assets at age 70 1/2. Participants in the pre-tax plans must pay federal, state and local income taxes in the years in which they receive payments.</p> <p>A participant will not receive credit toward Social Security benefits for the period of time he/she is in DCP (except if he/she is already contributing to Social Security).</p>	Employees receive benefits at retirement or when they become disabled. Benefits are based on earnings over a working career up to the maximum amount. Social Security retirement benefits will replace part of pre-retirement earnings. Benefits may also be payable to one's spouse.
Death Benefits	When a participant dies, his/her beneficiaries receive the balance in his/her account.	Family members receive benefits if either the employee or the family members are disabled, or if the employee dies. Benefits are paid at age 60, at age 50 if disabled, or at any age if the widow or widower is caring for the employee's child under 16 or disabled. Unmarried children may receive benefits if under age 18 or at any age if disabled before age 22.