SUFFOLK COUNTY

PUBLIC EMPLOYEES DEFERRED COMPENSATION BOARD

Labor and Management Working as One

Debbie Troise
Plan Administrator

December 2011 Newsletter
Volume 16, Issue 4

2012 Deferral Limits

The IRS recently announced the 2012 annual 457(b) deferral limits. Effective January 1, 2012, the annual contribution limits are as follows:

Normal Contributions	$17,000
Age 50 Plus Contributions*	$ 5,500
Retirement Catch-Up Contributions*	$17,000
Maximum Total Annual Contributions (Normal and Retirement Catch-Up Contributions combined)	$34,000

*Age 50 Plus and Retirement Catch-Up Contributions cannot be combined in the same calendar year.

Active participants who wish to make changes to their biweekly payroll contributions should contact their provider(s) either by telephone or via their website.

T.Rowe Price	1-888-457-5770 rps.troweprice.com
VALIC	1-800-448-2542 www.valic.com/suffolk

Retirement Catch-Up Contributions

The retirement "catch-up" provision of our Plan permits you to annually defer additional funds that could have been deferred in prior years when you were eligible to participate in the Plan but did not, or when you did not contribute the maximum allowable amount. The catch-up provision allows you to increase the maximum amount you may contribute in each of the three years before the year in which you reach your "Normal Retirement Age." Normal Retirement Age (NRA) is any age designated by you beginning no earlier than the age in which you may retire with **full pension** benefits up until age 70½. Contact your Board representative for an application and further information.

State Taxation of Periodic Payments

Preselected periodic distribution payments (but not lump-sum or nonperiodic payments) from a 457(b) plan are eligible for the $20,000 annual New York State income tax exemption. The exemption applies to New York State residents only, who are age 59½ or older. This exemption is in addition to the state income tax exemption for benefit payments received from the state or local employee's public retirement system.

This $20,000 exemption is applied annually against the combined distributions a participant receives from a private employer retirement plan, a 401(k) or 403(b) plan, an IRA, and any deferred compensation. For example, if you are receiving $10,000 in periodic distributions from your Plan account and a $15,000 distribution from an IRA, only the first $20,000 is exempt from New York State taxes. For more specific information about eligibility for this exemption, please see your tax advisor.

Should you move out of New York State, New York State income tax will not be withheld by the provider from your Plan distributions. However, your distribution will be subject to any applicable withholding tax imposed by the state in which you reside. Contact your Board representative or your provider for more information.

Frequently Asked Questions

Q. When I start taking distributions from my deferred compensation account, will my distribution be subject to taxes?

A. Yes, your distribution will be subject to applicable federal and state income tax. However, the money in your account has already been taxed for Social Security purposes; when you leave service, your distributions will not be taxed for Social Security.

Q. When I separate from County service, can I leave my assets in my deferred compensation account?

A. Yes, you may leave your assets in your account if you wish. If you do not need the money right away, you can continue to keep your investments growing tax-deferred. It may be a good idea to keep it invested in the plan where it can grow without having to pay taxes until withdrawal.

The information contained in this newsletter is intended to inform you of the Plan's guidelines and is not intended to provide financial advice.