Participant Spotlight – Jacquelyn Clemon

The San Francisco Deferred Compensation Plan (SFDCP, the Plan) remains one of the most popular benefits offered by the City and County of San Francisco (CCSF). With over 32,000 participants and $4 Billion in employee savings as of January 31, 2020, the SFDCP is often considered as a “best practice” for other government retirement plans. Contributing to this success are our amazing SFDCP Ambassadors, who are CCSF employees that welcome conversations about the Plan. From time to time, SFDCP News will introduce you to an Ambassador or share their story as part of our “Participant Spotlight.” So if you spot an Ambassador, please stop and say Hello!

This quarter, we are featuring Jacquelyn “Jackie” Clemon. Jackie is a proud employee of the SF Municipal Transportation Authority (MTA) and can be found talking about her Plan experience with MTA and CCSF colleagues while driving the F Line down Market Street. She enjoys spreading the word so her colleagues can also benefit from a more secure retirement future. Meet Jackie Clemon!

What do you currently do at the City and County of San Francisco and how long have you been a CCSF employee?
I am a Transit Operator for CCSF and have been employed by the City for 14 years.

What do you like most about your job?
I love the people! The locals I see daily are like friends. Our visitors are new friends to be made and introduced to our City.

What does your ideal retirement look like?
Peace of mind, good health, debt free, time and resources to travel to enjoy life, family and friends.

What advice would you have for someone who hasn’t joined the SFDCP?
What are you waiting for? With pre-tax deductions, you may have a positive tax implication while employed and greater financial security when you retire.

What advice would you have for someone who has just started contributing to the SFDCP?
Congratulations! Don’t be afraid to test the waters with your contributions. You can always increase or decrease your contribution rates until you find your comfort zone to live now while securing your financial future.

Do you have a favorite saying or a motto that you live by?
Absolutely! The best thing that happened to you today is that you woke up - so live free, love hard, laugh loud, and hopefully the people you come in contact with will be inspired to do the same.

A Message Regarding the COVID-19 Virus (Coronavirus)

In accordance with a new “Shelter in Place” Order from the City’s Public Health Officer issued on March 16, 2020, the SFDCP office at 1145 Market Street is closed through April 7, 2020. Online and phone services for the SFDCP will remain available during this time.

Due to the fluid nature of the situation, circumstances could change. Please visit sfdcp.org for updates.
Stay the course, you’re in it for the long run

It’s hard not to be daunted by the latest news. The impacts of Coronavirus has caused dramatic market shifts. One second, it’s up, the next second it’s down, but the potential for gains or losses should always be expected as a part of investing. So how do you manage your expectations? Here are some things to keep in mind amid times of uncertainty:

- **Time, not timing, is key.** Predicting the market is not like predicting the weather. There are no high-tech gadgets or radar systems to predict how high or low the market will get. Without knowing the exact moment to take action, any decision to sell out of an investment could prove costly.

- **Sticking to your retirement saving plan is important.** Your overall investment and retirement planning strategy can help keep you focused and remain invested for long-term market results.

- **Diversification can help you manage some of your investment risk by reducing the impact of any one fund on your overall portfolio performance.** This is done through asset allocation where you divide your portfolio among multiple investments like stocks, bonds, and cash (stable value). Asset allocation can also help reduce risk because it keeps you from putting all your “eggs” in one basket. You can also invest in an SFDCP Target Date Fund or futureReady portfolio that does the diversifying for you.

While it’s important to be aware of what the market is doing, keep in mind that fluctuation is normal and should be expected. Sticking to your plan and your long-term goals can help you stay on course as you work toward your retirement objectives.

Adding more flexibility with SFDCP’s Roth option

Did you know that the San Francisco Deferred Compensation Plan has a Roth feature that allows you to contribute after-tax money to the Plan? For some, a Roth option can give you more control over when contributions and retirement distributions are subject to income taxes.

Unlike before-tax contributions that are deducted from your gross pay and reduce your year’s taxable income dollar-for-dollar, Roth contributions are deducted from your net pay. That means you’ve already paid taxes on the contribution and, in exchange, you’re able to make qualifying withdrawals **tax-free** in retirement! That could mean more net retirement income when you need it the most. Plus, Roth contributions to the SFDCP are not subject to income limits, unlike a Roth IRA through a broker. This means that any SFDCP participant is eligible for Roth contributions, versus the low income requirements to qualify for a Roth IRA. For more information about SFDCP’s Roth feature, visit the sfdcp.org Contact Us page to schedule an appointment with your local SFDCP Counselor to review and discuss whether Roth is right for you.

**KEY TAKEAWAY:** When you make a Roth contribution, you’re trading a current tax benefit for a future tax benefit. So if you think your federal tax rate will be higher in retirement compared to what it is now, and you want to benefit from tax-free withdrawals later (plus any earnings), a Roth option may be worth considering.

The penalty for missing the market

Trying to time the market can be an inexact – and costly – exercise.* See how your savings can grow when you remain fully invested versus moving money around and missing critical days out of the market.

<table>
<thead>
<tr>
<th>Missing the best...</th>
<th>20 Days</th>
<th>15 Days</th>
<th>10 Days</th>
<th>5 Days</th>
<th>Remained Fully Invested and Missed 0 Days</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>$34,212</td>
<td>$43,336</td>
<td>$55,881</td>
<td>$75,000</td>
<td>$115,804</td>
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<td></td>
<td>(4.19% Avg Annual Total Return)</td>
<td>(5.01%)</td>
<td>(5.09%)</td>
<td>(6.95%)</td>
<td>(8.51%)</td>
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Past performance is no guarantee of future results. Performance shown is historical index performance and not illustrative of any specific funds’ Performance. This is a hypothetical example used for illustrative purposes only. The return figures are based on a hypothetical $10,000 investment in the S&P 500 Index from January 22, 1985 - January 21, 2015. The lump sum investment in common stocks would have reflected the same stocks/weightings as represented in the S&P 500 Index. The example does not represent or project the actual performance of any security, or other investment product. The hypothetical figures do not reflect the impact of any commissions, fees or taxes applicable to an actual investment. The S&P 500® Index is an unmanaged, market capitalization weighted index of 500 widely held U.S. stocks recognized by investors to be representative of the stock market in general. It is provided to represent the investment environment existing for the time period shown. The returns shown do not reflect the actual cost of investing in the instruments that comprise it. You cannot invest in an index. Standard & Poor's and S&P 500 are trademarks of the McGraw-Hill Companies, Inc. *Source: Commodity Systems, Inc. (CSI) via Yahoo Finance
Changes to the SFDCP investment lineup designed to save you money

The following changes to the SFDCP investment lineup will take effect no earlier than late April 2020:

- The **SFDCP Real Estate Fund**, which invests in the Morgan Stanley US REIT Fund (90 bps), will instead invest in the Principal US REIT CIT (Collective Investment Trust) at 70 bps. This will result in a savings of nearly $70,000 to investors annually.

- The **SFDCP Large Cap Growth Fund**, which currently invests 50% in the Vanguard Growth Index and 50% in the T. Rowe Price Growth Stock Fund, will move the T. Rowe Price investment from a mutual fund share class (at 52 bps) to a CIT at 40 bps, resulting in a net savings of over $305,000 for investors annually.

- The **SFDCP Target Date Fund (TDF)** underlying investment to the Morgan Stanley Global Real Estate Fund (at 100 bps) will be mapped to the Principal Global Real Estate Securities CIT at 77 bps, resulting in even more savings for TDF investors.

These changes will take place automatically and no action is required. Participants who wish to review or make any investment changes are encouraged to log into their account at sfdcp.org or call a Customer Service Associate at (888) SFDCP-4U (733-2748).

Introducing our new SFDCP Counselor – Tony Chiu!

If you’ve visited SFERS at 1145 Market Street recently, you’ve probably noticed a new face. Tony Chiu has joined the SFDCP as an on-site Counselor, supporting all department personnel except City College and Unified School District employees. Raised in New York City, Tony has been in the Bay Area and in the financial services industry for over 20 years. He’s an avid golfer, snowboarder, and motorcyclist.

Tony is available weekdays for appointments at the SFDCP office and also speaks Cantonese. His advice to active CCSF employees is to start and keep saving for that future retirement “sunny day.” You can schedule an appointment to meet with him by visiting the Contact Us page of sfdcp.org.

Modifications to the Required Minimum Distribution (RMD) rules

The Setting Every Community Up for Retirement Enhancement (SECURE) Act provisions of the Further Consolidated Appropriations Act, 2020 was signed into law on December 20, 2019 and changes certain Required Minimum Distribution (RMD) rules. One of those changes is to the age that triggers RMDs to begin from retirement plans like the SFDCP. The triggering age has now been increased from age 70½ to age 72. This change applies to individuals who will attain age 70½ after December 31, 2019. If you turned age 70½ in 2019 or before, though, this change does not affect your current and future Required Minimum Distribution requirements.

For example:

- If you are retired and turned age 70½ in 2019, you must take your 2019 RMD by April 1, 2020 at the latest. If you deferred your 2019 RMD until this year, you must then take a 2nd RMD for 2020 by December 31, 2020 as well.

- If you are retired and turn age 70½ in 2020 or after, under the new rules you must take your first RMD by April 1st of the year following the year you turn age 72, then every calendar year after that.

The SECURE Act has also amended RMD rules with respect to payments to certain beneficiaries from plans like the SFDCP. You may wish to consult with a financial professional or tax advisor regarding your personal situation.
3 ways to use your tax refund

Did you get a tax refund this year? What do you plan to do with it?

Here are some ideas to pay yourself back now and for the future.

1. Boost your retirement savings
   If you are not maxing out your contributions to the SFDCP, set aside your tax refund and recalculate your deduction to help you save even more. Your future self will thank you!

2. Ditch the debt
   Reduce or eliminate debt from high-interest credit cards or loans. Use some of your refund to make a dent.

3. Build your emergency fund
   Be sure to pay yourself back first. Remember, it's never too late to get your financial life in order so you can live the best life you can envision.

SFDCP contributions include overtime as part of gross pay

For those who work in MTA, Safety or jobs that offer overtime shifts, any overtime you earn for the period will be included in the gross total of your pay beginning April 3 and reflected in your April 14, 2020 paycheck. For participants that contribute a percentage of their pay to the SFDCP, this change will mean that the amount of your SFDCP contribution for the pay period may be higher if you worked overtime. If you are comfortable with contributing more when overtime pay is earned, no action is required. If not, simply log in to your SFDCP account and go to Account > Contributions > Change Contributions to view your current contribution and make any necessary changes. Your changes will take effect within a couple pay periods.