



# Program Features and Highlights

Learn more about Wisconsin's section 457(b) Deferred Compensation Program

What is a section 457 deferred compensation program?

A number of voluntary retirement programs are defined in the Internal Revenue Code (IRC). These include section 457(b) programs, commonly called 457 deferred compensation programs. Deferred compensation programs allow eligible employees to save and invest before-tax and after-tax (Roth) dollars through voluntary paycheck contributions, supplementing any existing retirement/pension benefits.

Why should I participate?

Having a WDC account may help provide a more comfortable financial future. You receive quality investment options, access to local service representatives, local call center support, financial education services, and planning tools that can help you better prepare for retirement.

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

Participating may not be advantageous if you are experiencing financial difficulties, have excessive debt, or do not have an adequate emergency fund (typically in an easy-to-access account).

Who is eligible to participate?

The WDC is a voluntary supplemental retirement savings program for all active state and university employees. Active local government and school district employees may also be eligible if your employer has elected to offer this optional benefit program.

Does participation in the WDC affect my pension or reduce my Wisconsin Retirement System or Social Security benefits?

No. The WDC is a voluntary supplemental retirement program and does not replace or reduce any of your Wisconsin Retirement System or Social Security benefits.

What are the advantages of before-tax savings?

With tax-deferred savings, you pay no income taxes on any contributions or their potential earnings until you withdraw the money. This further enhances the benefit of compounding—generating returns on money that you would have paid in taxes if those taxes were not deferred. Any earnings are reinvested in your account, where they have the potential for continued growth because they are not reduced by taxes each year.

What are the advantages of after-tax (Roth) savings?

Roth contributions are made with after-tax dollars. Roth 457 contributions reduce your take-home pay because you pay taxes on any earnings immediately, rather than deferring those taxes until you take a distribution. Therefore, your contributions and any earnings are not taxed upon distribution. This can be beneficial if you expect to be in a higher tax bracket during retirement than in your working years.

## Contribution Amounts

How much can I contribute?

If you are...	You are eligible to contribute the...	2015 limit	Total annual limit
Any Age	Regular Contribution Limit	\$18,000	\$18,000
Age 50 and Older	Age 50+ Catch-Up Contribution	\$6,000	\$24,000
Nearing Retirement	Special Catch-Up Contribution	\$18,000	\$36,000

*If you are within three years of your normal retirement age, you may be eligible to use the Special Catch-Up Contribution provision.<sup>1</sup> You may not contribute to both the Special Catch-Up option and the Age 50+ Catch-Up option in the same calendar year, even if you are eligible for both options.<sup>2</sup> Catch-up contribution limits are in addition to the regular contribution amount depending on how much you undercontributed in prior years. You are responsible for monitoring your contributions to ensure that you stay within the annual limits. The Special Catch-Up option requires a completed form. Please contact the WDC for more information before contributing more than \$24,000.*

How can I increase or decrease my paycheck contribution amount?

You can increase, decrease, start or stop your paycheck contribution by calling the WDC toll free at (877) 457-WDCP (9327) or by accessing your account through the website at [www.wdc457.org](http://www.wdc457.org).<sup>3</sup>

Do I have any options for deferring sabbatical, sick, vacation or back pay?

You must have an active WDC account before you retire in order to defer your sabbatical or final pay, and eligibility is dependent on your employer. If you are not yet enrolled, refer to the last page of this brochure for assistance.

### Getting Started

You will need to know the exact dollar amount of your payment and the date of the check that will include your payout. (Your payroll staff may be able to help you determine the amount of your sabbatical time.) When determining the amount you wish to defer to the WDC, keep in mind that FICA and any normal deductions you have coming out of your paycheck will also be withheld from the sabbatical check; therefore, you want to be sure that the amount you choose to defer leaves enough money for FICA and the other deductions. If your WDC deferral amount is too much, you may end up having \$0 deferred to the WDC from your sabbatical check.

### How Much Can I Defer?

You may defer up to the limits previously listed in this brochure.

### Changing Your Deferral Amount

Once you know the amount you wish to defer and the date of your sabbatical check, call the WDC toll free at (877) 457-WDCP (9327), press 0, and follow the prompts, or log on to [www.wdc457.org](http://www.wdc457.org) with your Username and password to request a deferral change. NOTE: The WDC can process this request for you as long as you give it approximately 30 days' notice. If you are beyond the date on which the WDC can make the change, you will have to ask your payroll staff if they are willing and able to manually process your sabbatical contribution to the WDC.

## Investments

What are my investment option choices, and how do I know which investments are right for me?

You can choose from the current array of 22 investment options:

- Six target retirement date portfolios
- One core stable value option
- Four commingled trust options
- One FDIC-insured bank option
- Ten mutual fund options

In addition to the core investment options, a self-directed brokerage account (SDBA) is available through an agreement with Charles Schwab, Inc. The SDBA allows you to select from numerous investment options for additional fees. These securities are not offered through GWFS Equities, Inc. The SDBA is intended for knowledgeable investors who acknowledge and understand the risks associated with the investments contained in the SDBA. You will receive a separate statement from Charles Schwab that details the investment holdings and activity within your SDBA, including any fees and charges imposed in connection with the SDBA.

The menu of investments is selected and monitored by the Deferred Compensation Board. The appointed members of the Board ensure that the WDC offers a well-diversified array of high-quality investment opportunities. Current investment options are described in the investment option fund overviews, and investment information is also available through the WDC website at [www.wdc457.org](http://www.wdc457.org) and at (877) 457-WDCP (9327). The automated phone service and website are available to you 24 hours a day, seven days a week.<sup>3</sup> We recommend you request and review current prospectuses before making investment decisions.

*Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information, you may obtain prospectuses for mutual funds and/or disclosure documents from your registered representative. Prospectuses can also be obtained online at [www.wdc457.org](http://www.wdc457.org). For prospectuses related to investments in the SDBA, contact Charles Schwab at (888) 393-7272. Read the prospectuses carefully before investing.*

<sup>1</sup> Normal retirement age is 65 unless otherwise specified by your employer or unless you are categorized as a protective employee. Please contact your employer's human resources representative if you have any questions regarding normal retirement age.

<sup>2</sup> In order to contribute an additional catch-up amount, you must complete the catch-up election form and return it to the WDC. The form is available on the website or by calling the WDC office in Madison at (877) 457-9327, option 0.

<sup>3</sup> Access to KeyTalk® and/or any website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons. Transfer requests made via the website and/or KeyTalk received on business days prior to close of the New York Stock Exchange (4:00 p.m. Eastern Time or earlier on some holidays or other special circumstances) will be initiated at the close of business the same day the request was received. The actual effective date of your transaction may vary depending on the investment option selected.

What if I don't know which investments to choose?

Additional investment information may be found on the WDC Spectrum of Investment Options or through the WDC website at [www.wdc457.org](http://www.wdc457.org).

The WDC also offers a suite of investment advisory services called Reality Investing® Advisory Services (Advisory Services), which is provided by Advised Assets Group, LLC (AAG), a federally registered investment adviser. The services include Online Investment Guidance, Online Investment Advice and the Managed Account service. There is no guarantee that participation in Advisory Services will result in a profit or that your account will outperform a self-managed portfolio.

## Rollovers<sup>4</sup>

Can I combine assets from my other retirement plans into my before-tax WDC account?

Yes. You may consolidate your retirement accounts (457, 401(k), 403(b) and IRA) into your WDC account. However, all non-457 plan assets transferred into the WDC remain subject to an early withdrawal penalty that does not apply to 457 plan assets. In addition, 457 plan assets transferred into another plan (IRA, 401(k), 403(b), etc.) may become subject to the early withdrawal penalty when distributed from the new, non-457 plan.

Can I combine assets from my other retirement plans into my Roth WDC account?

Yes. You may transfer a prior employer-sponsored Roth account into the WDC Roth 457(b) account. However, per Internal Revenue Service (IRS) regulations, you are not allowed to transfer Roth IRAs into your WDC Roth account.

What are the benefits of combining assets with the WDC?

When you combine assets with the WDC, you can take advantage of State of Wisconsin oversight, low fees and consolidation of statements for easier review.

If I leave public employment, must I transfer or roll over my WDC account?

Upon leaving public employment, your options are:

1. Leave your money in the WDC and continue to take advantage of the WDC's diverse selection of investment options, account management tools, and dedicated service representatives. Transferring your account balance is not required.
2. Transfer or roll over your account balance to another eligible governmental section 457 plan, if your new employer accepts this type of transfer and/or rollover.
3. Roll over your account balance to a section 401(a), 401(k) or 403(b) plan or IRA. Remember that your section 457 assets may be subject to an early withdrawal penalty if distributed from your new plan prior to age 59½.<sup>5</sup> Also, be aware that some services available in the WDC may not be available in another plan. There is a Fee Comparison Worksheet located on [www.wdc457.org](http://www.wdc457.org) under Program Information and then Fees to help you weigh your options.

## Distributions

What are my distribution options?

When you are eligible for a distribution, you may:

- Leave the value of your account in the WDC until a future date.
- Receive periodic payments, a lump sum, or a partial lump sum, and change this payment type at any time.
- Roll over or transfer to another eligible plan.<sup>3</sup>

<sup>4</sup> You are encouraged to discuss rolling money from one account to another with your financial advisor/planner, considering any potential fees and/or limitation of investment options.

<sup>5</sup> Withdrawals are subject to ordinary income tax. A 10% early withdrawal penalty may apply to withdrawals made prior to age 59½. The 10% early withdrawal penalty does not apply to section 457 plan withdrawals.

When can I withdraw the money from my before-tax account?<sup>5</sup>

Your before-tax money may be withdrawn only when you:

- Retire (and have received your final paycheck).
- Experience an unforeseeable emergency within the WDC guidelines.
- Die (your designated beneficiary(ies) will receive your benefits).
- Terminate employment (and have received your final paycheck).

You are not required to take a distribution until April 1 of the calendar year following the year you reach 70½; you can leave your account balance in the WDC until that time, even if a distribution event has occurred.

How much income tax will be withheld from my before-tax distributions?

Withholding taxes will vary depending on the type of distribution you request. Generally, the mandatory 20% federal income tax withholding will apply to before-tax distributions unless you elect a direct rollover of the entire amount or periodic payments that last longer than 10 years, or if the payment is a minimum required distribution. A 1099-R will be issued to you by January 31 of the year(s) following the year(s) in which you receive a distribution.

When can I withdraw the money from my after-tax (Roth) account tax-free?

Your after-tax distributions are income tax-free and penalty-free if you withdraw your after-tax contributions and earnings after holding the account for at least five years and:

- You are at least age 59½ and have severed employment (received your final paycheck); or
- You become disabled; or
- You experience an unforeseeable emergency defined as a “severe financial hardship”; or
- You die (after which your beneficiaries will take the withdrawal).

If a distribution is made from your after-tax 457 account before you reach age 59½ and it is not due to an unforeseeable emergency, death, disability, or reaching the five-year period beginning with your first after-tax contribution, you will pay income taxes on any earnings that are distributed.

What qualifies as an unforeseeable emergency?

According to the IRS and its Treasury Regulation 1.457-6(c), an unforeseeable emergency is a “severe financial hardship” to the participant or beneficiary resulting from:

- An illness or accident (including spouse or dependent).
- Loss of property due to casualty (including the need to rebuild a home following damage to the home not otherwise covered by homeowner’s insurance, e.g., as a result of a natural disaster).
- The imminent foreclosure of a primary residence.
- The need to pay medical expenses, including nonrefundable deductibles, as well as the cost of prescription drug medication.
- The need to pay for funeral expenses of a spouse or dependent.

You must prove that you are experiencing a severe financial emergency and provide evidence that you have exhausted all other sources of income in order to remove before-tax and/or after-tax (Roth) dollars from the WDC.

If you feel your situation meets the IRS requirements for a financial emergency and your WDC account is the only choice you have, call **(877) 457-WDCP (9327)** and request an Unforeseeable Emergency Withdrawal Request Form and Application. You must provide documentation supporting your application.

For further information about unforeseeable emergencies, please refer to the WDC Plan and Trust Document.

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) should contact the WDC to discuss the available distribution options and apply for a distribution. If no beneficiary designation is on file, beneficiaries will be determined according to standard sequence as defined in Wisconsin statutes and detailed in the WDC Plan and Trust Document.

Does the WDC offer loans?

No, the WDC does not offer loans.

## Fees

What administrative fees will I pay?

A monthly fee is deducted from your WDC account to cover the cost of administering the WDC. You will see this fee detailed on your quarterly statement. The current fees are noted in the table to the right.

Account Balance	Monthly Fee
\$0 to \$5,000	\$0
\$5,001 to \$25,000	\$1
\$25,001 to \$50,000	\$2
\$50,001 to \$100,000	\$4
\$100,001 and higher	\$5.50

Are there any other fees I should know about?

Yes, there are investment management fees (also known as expense ratios) that vary by investment option. These fees are deducted by each investment option's management company (not by the WDC) before the daily price or performance is calculated. Expense ratio fees are used to pay for securities trading in the underlying funds and other management expenses. You can find the WDC's investment option expense ratios on the website at [www.wdc457.org](http://www.wdc457.org) under Program Information and then Fees or in the WDC's annual investment performance report. Investment management companies may impose redemption fees and/or transfer restrictions if assets are held for less than the published holding period. Asset allocation funds may be subject to a fund operating expense at the fund level, as well as a prorated fund operating expense for each underlying fund in which they invest. For more information, please refer to the fund's prospectus.

*Charles Schwab Personal Choice Retirement Account® (PCRA)* – There is no extra fee to participate in the SDBA offered through Charles Schwab PCRA; however, additional transaction fees may apply. For more information on the PCRA option, contact the WDC.

*Online Investment Guidance Tool* – There are no fees to use the Online Investment Guidance tool.

*Online Investment Advice Tool* – If you choose to utilize the Online Investment Advice tool, the annual fee is \$25. It will be deducted from your account quarterly approximately one week prior to quarter-end (\$6.25 per quarter).

*Managed Account Service* – If you choose to have AAG manage your WDC account for you, the annual fee will be based on your account balance, as shown in the table below, and assessed to your account quarterly.

What fees do I pay to participate in Advisory Services?

For example, if your account balance is \$50,000, the annual Managed Account fee will be 0.60% of the account balance, or \$300. If your account balance is \$500,000, the first \$100,000 will be subject to an annual fee of 0.60%; the next \$150,000 will be subject to an annual fee of 0.50%; the next \$150,000 will be subject to an annual fee of 0.40%; and any amounts over \$400,000 will be subject to an annual fee of 0.30%.

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

Participant Account Balance	Annual Managed Account Fee
Less than \$100,000	0.60%
Next \$150,000	0.50%
Next \$150,000	0.40%
Greater than \$400,000	0.30%

# How Do I Enroll?

## To enroll in the WDC:

Complete an enrollment form and mail it to the appropriate address on the form. Enrollment forms can be found online at [www.wdc457.org](http://www.wdc457.org) under **Program Information** and then **Enroll Now**. You may also call the WDC to obtain an enrollment form.

**For more information, call or visit your local WDC office at:**

**5325 Wall St., Suite 2755**

**Madison, WI 53718**

**(877) 457-WDCP (9327), press 0**

---

**Core securities, when offered, are offered through GWFS Equities, Inc. and/or other broker dealers.**

GWFS Equities, Inc., Member FINRA/SIPC, is a wholly owned subsidiary of Great-West Life & Annuity Insurance Company. Securities available through Schwab Personal Choice Retirement Account® (PCRA) are offered through Charles Schwab & Co., Inc. (Member SIPC), a registered broker-dealer. Additional information can be obtained by calling (888) 393-7272. Charles Schwab & Co., Inc. and GWFS Equities, Inc. are separate and unaffiliated. Managed Account, Guidance and Advice services are offered by Advised Assets Group, LLC (AAG), a federally registered investment adviser and wholly owned subsidiary of Great-West Life & Annuity Insurance Company. More information can be found at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Empower Retirement refers to the products and services offered in the retirement markets by Great-West Life & Annuity Insurance Company (GWL&A), Corporate Headquarters: Greenwood Village, CO; Great-West Life & Annuity Insurance Company of New York, Home Office: White Plains, NY; and their subsidiaries and affiliates. The trademarks, logos, service marks and design elements used are owned by their respective owners and are used by permission. ©2015 Great-West Life & Annuity Insurance Company. All rights reserved. Form# CB1080PH (02/15) PT219984