

## Program Highlights

Learn More About Your Section 457  
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 programs, commonly called 457 deferred compensation programs. Deferred compensation programs allow eligible employees to save and invest before-tax dollars through voluntary salary deferrals, supplementing any existing retirement/pension benefits. Employee contributions and any earnings grow tax deferred until the money is withdrawn, usually at retirement when the participant is typically receiving less income and is in a lower federal income tax bracket than while working. Withdrawals are subject to ordinary federal income tax. For information on how to enroll in the Wisconsin Deferred Compensation (WDC) Program, call the WDC toll free at (877) 457-WDCP (9327) and press "2"; you will be connected to the local office in Wisconsin.<sup>1</sup> You may also log in to the WDC Web site, [www.wdc457.org](http://www.wdc457.org), as a guest, print an enrollment form, and mail it in.

### 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 their employer has elected to offer this optional benefit program.

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

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

### Why should I participate?

Having a WDC account may help provide a more comfortable and secure financial future. Not only can you save and invest on a tax-deferred basis, but you also receive quality investment options, low fees, access to local service representatives, local call center support, financial education services and planning tools that can help you better prepare for retirement.

### What are the advantages of tax-deferred savings?

With tax-deferred savings, you pay no income taxes on any contributions or their earnings until you withdraw the money. This leads to the benefit of compounding—that is to say, generating returns on money that you would have paid in income taxes if those taxes were not deferred. Your earnings are reinvested in your account, where they have the potential to grow faster because they are not reduced by taxes each year.

### How much can I contribute?

There is no minimum contribution amount required. You can contribute a maximum of 100% of your includible compensation, not to exceed the annual IRS legal limit of \$16,500 in 2009.

Individuals who are age 50 or older during the 2009 calendar year may contribute an additional \$5,500. That amount is expected to be indexed for inflation in \$500 increments in subsequent years.

If you are within three years of your normal retirement age, you may use

the Standard Catch-Up provision that allows you to save an additional \$16,500 in 2009. This amounts to a total possible contribution of \$33,000. Note: The Age 50+ Catch-Up provision and the Standard Catch-Up provision cannot be used in the same calendar year.

### How can I increase or decrease my deferral amount?

You can increase, decrease, start or stop your deferral amount by calling the WDC toll free at (877) 457-WDCP (9327) or by accessing your account through the Web site at [www.wdc457.org](http://www.wdc457.org).<sup>1</sup>

### 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 21 investment options or the Self-Directed Brokerage Account (SDBA):

- Five lifecycle portfolios
- One stable value option
- One FDIC-insured bank option
- Ten mutual fund options
- Four commingled trust options

The menu of investments is selected and monitored by the Deferred Compensation Board. The governor-appointed members of the Board ensure that the WDC offers a well-diversified array of high-quality, low-cost investment opportunities over time. Current investment options are described in the investment option fund overviews. Investment option information is also available through the WDC Web site at [www.wdc457.org](http://www.wdc457.org) and at (877) 457-WDCP (9327). Both services are available to you 24 hours a day, seven days a week.<sup>1</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, any applicable annuity contract and the annuity's underlying 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 on the SDBA, contact Charles Schwab at (888) 393-7272. Read them carefully before investing.*

### 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 Web site at [www.wdc457.org](http://www.wdc457.org). Lifecycle funds are a good option to consider because they are based on age and adjust your funds based on your risk tolerance and retirement date. The WDC also offers a suite of investment advisory services called Reality Investing<sup>®</sup> through Advised Assets Group, LLC (AAG), a wholly owned subsidiary of Great-West Life & Annuity Insurance Company. These services include: *Online Investment Guidance*, *Online Investment Advice* and the *Managed Account* service. For more detailed information about these services, please visit the Web site at [www.wdc457.org](http://www.wdc457.org) or call (877) 457-WDCP (9327). *There is no guarantee that participation in the Reality Investing advisory services will result in a profit or that your account will outperform a self-managed portfolio.*

### How do I make investment option changes?

Simply use your Personal Identification Number (PIN) and Social Security number to access your account either online or on the telephone.<sup>2</sup> Upon your initial login, you will be required to create a custom Username to be used for future logins.

Both services enable you to:

- Move all or a portion of your existing balances among investment options (subject to WDC rules and fund redemption fee policies, if any)<sup>1</sup>

- Change how your future deferrals are allocated among your investment options

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

There are three easy ways to keep track of your WDC account:

#### 1) On Paper Through Your Quarterly Statement

A quarterly account statement will be mailed to you showing your account balance and activity for the previous quarter.

If you would rather receive your statements electronically and no longer wish to receive a paper statement in the mail, sign up on the Web site for the Online File Cabinet<sup>®</sup> option.

#### 2) Online via the WDC Web Site

You can review your account on the WDC Web site at [www.wdc457.org](http://www.wdc457.org) using your self-selected Username and PIN.<sup>2</sup> Your account balance is updated daily online, and you are able to customize your WDC account Web page to display the information you are most interested in seeing.

#### 3) On the Telephone via KeyTalk<sup>®</sup>

It's also quick and easy to check your account balance, move money among investment options and more by calling KeyTalk toll free at (877) 457-WDCP (9327).<sup>1</sup>

### What if I can't remember my PIN or if I lose it?

You can order a new PIN online at [www.wdc457.org](http://www.wdc457.org) or by calling the WDC toll free at (877) 457-WDCP (9327).<sup>1,2</sup> You may also personalize your PIN and Username to make them easier to remember.

### When will I receive my statement?

Statements are mailed to you on a quarterly basis every January, April, July and October. If you choose to receive your statements electronically, you will receive quarterly e-mails notifying you that your statement is available online.

In addition to your account balance, your statement will include at-a-glance graphics of your asset allocation, your personal rate of return and an account summary by contribution source.

### Can I combine assets from my other retirement plans into the WDC?

Yes. Individuals may consolidate approved balances of retirement accounts (section 401(a), 401(k), 403(b), governmental 457(b) and Individual Retirement Accounts (IRAs)) into the WDC at any time. However, all retirement assets transferred into the WDC, other than transferred governmental 457(b) accounts, remain subject to the early withdrawal penalty that does not apply to section 457(b) assets.

### May I transfer or roll over my account balance if I leave public employment?

Yes, although transferring your account balance is not required. You have three choices when you leave employment:

1. You can leave your money in the WDC and continue to take advantage of the WDC's low fees, diverse selection of investment options, account management tools and dedicated service representatives.
2. You can transfer or roll over your account balance to another eligible governmental section 457 program, if your new employer accepts this type of transfer and/or rollover.
3. You can roll over your account balance to a section 401(a), 401(k) or 403(b) program 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>3</sup> Also, be aware that some services in the WDC may not be available in another plan.

### How does my participation in the WDC affect my taxes?

Because your contributions are taken out of your paycheck before taxes are

calculated, you pay less in current income tax. You do not report any current earnings or losses on your account on your current income tax return, either. Your account is tax-deferred until you withdraw money, usually at retirement.

Distributions from the WDC are taxable as ordinary income during the years in which they are distributed or made available to you or your beneficiary(ies) at your then-current tax rate.

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

Withdrawals may be made when you:

- Retire
- Terminate public employment
- Die (your designated beneficiary(ies) will receive your benefits)
- Experience an unforeseeable financial emergency within the rigorous federal IRC and WDC guidelines (see your WDC representative for additional details)
- Reach age 70½

### 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
  - ★ A partial lump sum
- Roll over or transfer to another eligible plan (but be aware that some services in the WDC may not be available in another plan)

### How will my distribution be taxed?<sup>3</sup>

Withholding taxes will vary depending on the type of distribution you request. Generally, the mandatory 20% federal income tax withholding will apply to

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. If you reside in a state with mandatory state income tax when taking distributions, state income tax may also be withheld. By January 31 of the year(s) following the year(s) in which you receive a distribution, you will receive a 1099-R.<sup>3</sup>

If the federal or state tax withholdings are less than your actual tax liability, you may be responsible for payment of estimated tax.

### 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 are determined according to standard sequence as defined in Wisconsin statutes and detailed in the WDC Plan and Trust Document.

### 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 below.

Account Balance	Monthly Fee	Annual Fee
\$0 to \$5,000	\$0	\$0
\$5,001 to \$25,000	\$1	\$12
\$25,001 to \$50,000	\$2	\$24
\$50,001 to \$100,000	\$4	\$48
\$100,001 and higher	\$5.50	\$66

## 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 Web site at [www.wdc457.org](http://www.wdc457.org) or in the WDC's annual investment performance report. Funds may impose redemption fees on certain transfers, redemptions or exchanges if assets are held for less than the period stated on the fund's prospectus. For more information, please refer to the fund's prospectus.

### Charles Schwab Personal Choice

*Retirement Account*<sup>®</sup> (PCRA)—There is no extra fee to participate in the Charles Schwab PCRA option; however, additional transaction fees may apply. For more information on the PCRA option, visit the Web site at [www.wdc457.org](http://www.wdc457.org) and click on the "Fund Options" link.

## What fees do I pay to participate in the Reality Investing<sup>®</sup> services?

*Online Investment Guidance Tool*—If you choose to utilize the Online Investment Guidance tool, there are no fees.

*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 follows:

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%

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, 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.

## 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, do not have an adequate emergency fund (typically in an easy-to-access account), or expect to be in a higher tax bracket during your retirement. For questions, please contact the WDC office at (877) 457-9327, option 2.



1 Access to KeyTalk<sup>®</sup> and the Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons. Transfer requests made via the Web site or KeyTalk received on business days prior to close of the New York Stock Exchange (3:00 p.m. Central 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.

2 The account owner is responsible for keeping the assigned PIN confidential. Please contact Great-West Retirement Services<sup>®</sup> immediately if you suspect any unauthorized use.

3 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.

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Managed account, guidance and advice services are offered by Advised Assets Group, LLC (AAG), a federally registered investment adviser. Representatives of GWFS Equities, Inc. are not registered investment advisers and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax adviser as needed. Great-West Retirement Services<sup>®</sup> refers to products and services provided by Great-West Life & Annuity Insurance Company and its subsidiaries and affiliates. Not intended for use in New York. Great-West Retirement Services<sup>®</sup>, KeyTalk<sup>®</sup>, Reality Investing<sup>®</sup> and Online File Cabinet<sup>®</sup> are service marks of Great-West Life & Annuity Insurance Company. All rights reserved. Form# CB1080PH (1/09)