

A DEEPER DIVE

THE WYOMING
RETIREMENT SYSTEM
457 PLAN IS A
POWERFUL SAVINGS
TOOL THAT
CAN MAKE HAVING
A COMFORTABLE
RETIREMENT
A WHOLE LOT EASIER.





A Guided Tour Through Your WRS 457 Deferred Compensation Plan

Get started and you can see why many of your co-workers have already joined and are participating.

- A. Getting Started
- B. WRS 457 Plan Basics
- C. Other WRS 457 Plan Features
- D. Life Events that Could Impact Your Retirement Savings
- E. Managing Your Account
- F. Resources

Getting Started



Steps to retirement

Your pension provided to you by the Wyoming Retirement System is a great starting point. Social Security will also be of help. To get to your goal of a secure retirement, put aside a portion of your earnings to the Wyoming 457 plan.



This illustration is based on the proportions that may result for a career employee.

What makes the WRS 457 Plan such a great employee benefit?

The WRS 457 Plan is a powerful savings tool. Once you have signed up, you don't have to do anything else. Money is taken out of your pay automatically.

Step 1: Joining

If you work for a participating employer, you may enroll in the WRS 457 Plan as soon as you are hired. In fact, about 20,000 public employees in WRS are already participating in the plan. Joining is strictly up to you, but so many of your co-workers couldn't be wrong! It will only take a few minutes of your time to join.

Extra compensation

Executive, Legislative and Judicial branch employees of the State of Wyoming will get \$20 from their employer added to their account if they contribute \$20 or more a month. This free \$20 is only available to you if you are contributing to the WRS 457 Plan. Other employers may do the same so check with your human resources officer.

Step 2: Investing made easy

Select Quick Enrollment on the enrollment form and your money will be automatically placed in a Target Date Fund; a fund with a mix of investments appropriate for your age. Most employees newly enrolling in the plan choose the Target Date Fund route.

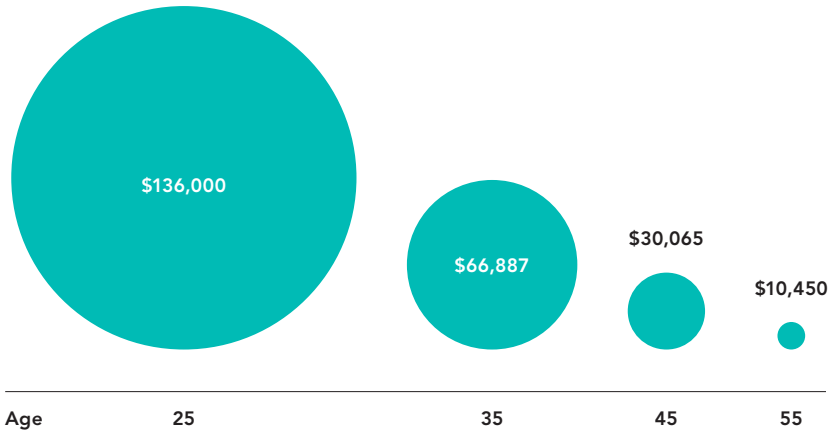
Or, if you would like to mix your own investments from those available in the WRS 457 plan, make that selection on the form and select your funds. More information on this option is available at retirement.wyo.gov.

When you have completed your enrollment form please return it to WRS by email to 457pln@wyo.gov or fax it to 307.777.3621. It's that easy!

Step 3: Select your contribution amount to be set aside

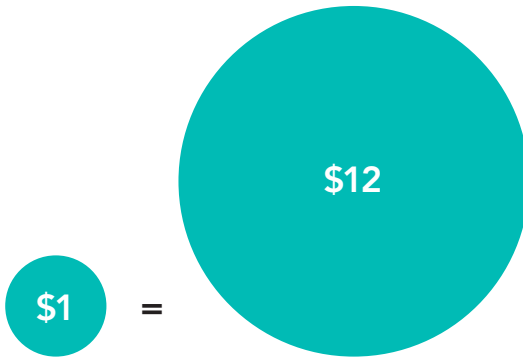
You decide how much of your pay you would like to set aside for your retirement. You can start with as little as \$20 per pay period and change the amount whenever you wish. Remember the more you put in, and the earlier you start saving the better the opportunity for your money to grow.

The age you begin saving makes a difference in how much your money might grow.*



*This example assumes an annual income of \$25,000 (without increases), 3% contribution, 6.5% rate of return, and monthly compounding. This chart is for illustrative purposes only and is not intended to represent the performance of any specific investment. Actual returns will vary and principal value will fluctuate. Taxes are due when money is withdrawn.

Every dollar you put aside now grows many times as you approach retirement.*



Your contribution today

What your contribution of \$1 becomes over the course of 40 years

*This illustration is a hypothetical compounding example that shows the effect on \$1 set aside for 40 year at a 6.5% annual effective rate of return. It illustrates the principle of time and compounding. It is not intended to predict or project the investment results of any specific investment. Investment returns are not guaranteed and will vary depending on investments and market experience. If fees, taxes, and expenses were deducted, the hypothetical growth would be less.

Step 4: Setting aside money before or after taxes are taken out—you have a choice

You can elect to set aside money into your WRS 457 plan account before or after your federal taxes are taken out. It's up to you!

If you decide to set aside money in your account before federal taxes are taken out, the reduction to your take-home pay is less than your contribution. If your employer contributes to your WRS 457 Plan account, these contributions have to be before-tax and will be taxed when you take money out of your account in the future.

If you decide to have money set aside in your WRS 457 plan account after federal income taxes are taken, your contribution to your account does not reduce the federal income taxes withheld from your pay.

How much money will I need?

A way to think about this is, “How much of your pay will you need in retirement?” You may not need as much income because your daily working expenses may be gone if you stop working altogether. Or you may have paid-off your mortgage by the time you retire. On the other hand, you may have to pay for unforeseen health-related expenses as you grow older.

Keep in mind, you may have several forms of retirement income from Social Security, WRS Pension and retirement accounts from past employers. To help you think through these questions, there is a helpful “goal-setting” calculator at retirement.wyo.gov. If you still have questions, please call a WRS Retirement Educator at 307.777.7691.



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WRS 457 Plan Basics

Fees

You pay an annual administrative fee equal to 30 cents for every \$100 you have in your WRS 457 Plan. This fee pays for administration of the plan, and it is deducted from your account each quarter and reported on your statement. High-balance accounts (more than \$182,000) receive a partial rebate of the administrative fees.

In addition, each investment option offered under the plan has a set investment management fee (called a fund operating expense). This fee is not shown on your statement, but is deducted from your investments before your rate of return is calculated. All fees are described in the fund data sheets and summarized in the Investment Options At a Glance, which you receive with your quarterly statement.

Comparing fees:

By leaving your WRS 457 Plan balances right where they are, you could be avoiding higher fees compared to an IRA.

My WRS 457
account fees

Average IRA fees

Source: This is based on a WRS analysis of its 457 Plan fees and the industry average for IRA fees provided by the Investment Company Institute in *Getting the Numbers Right on Investment Advice for Retirement Savers*, February 26, 2015.

Vesting

“Vesting” refers to ownership of your account. You always own the money in your WRS 457 Plan.

Plan contributions

When you enroll in the WRS 457 Plan, you decide how much to set aside from each paycheck. To be in the plan, you must contribute at least \$20 per month, but you can contribute any dollar amount up to the IRS Annual Plan Contribution limit. You also decide whether to contribute to the WRS 457 Plan before or after Federal taxes are taken out, or a combination of both. The 2016 limit is \$18,000 for participants under age 50, and \$24,000 for participants who will be age 50 or older as of December 31, 2016.

You may increase, decrease, stop, or restart your contributions at any time. However, the WRS 457 Plan must receive your change request the month before you want the change to take effect.

The WRS 457 Plan is different from a regular savings account. While you can stop contributing any time, you can only withdraw money from it if you end employment, or are 70½, or are approved for an unforeseeable financial emergency as defined by the IRS (see page 28). In the event of your death, your beneficiary(ies) are eligible to withdraw the funds.

Contributing more

People closer to retirement can contribute more. If you are within 3 years of normal retirement age, there is great news! You may be able to contribute up to \$36,000 per year. This is known as “Special Catch Up” If you are interested, call your WRS Retirement Educator at 307.777.7691 and ask for details about Special Catch-Up Contributions.

When I quit working can I still make contributions to my WRS 457 Account?

No, you cannot make current year contributions, but the money you may have in other retirement savings plans with past employers, or a traditional IRA may be rolled into your WRS 457 Plan account.

How long can I leave my money with the WRS 457 Plan?

You can leave your money in the WRS 457 Plan until age 70½. At that point you need to start taking some money out each year, unless you are still employed by a WRS participating employer.

How do I take money out?

You are eligible to take your money out when you retire or permanently separate service with your employer. Once you qualify to take money out of your account, you have a great deal of flexibility. You can set up regular payments or request a distribution only when you want one. You initiate withdrawals by completing a distribution form. Allow a maximum of 30 days from the time you submit your completed distribution form for processing of any distribution type.

If you are no longer employed by a WRS participating employer, you may transfer (or roll over) your account balance in this plan to past or future employer's retirement account willing to accept it. See the WRS rollover checklist if you are considering this. Eligible transfers or rollovers are not taxable at the time of the rollover.

Once you turn 70½ you can take distributions while you are still employed. If you are 70½ and are no longer working for the employer you made your contributions with, you are required to start taking part of your money out each year. WRS can help you automate this.

If I take money out of my account, do I pay taxes and penalties?

Withdrawals on before-tax contributions are taxable as ordinary income at the tax rate in effect during the years you or your beneficiary(ies) receive distributions. With before-tax contributions, there is no penalty for distributions taken prior to age 59½.

Withdrawals of after-tax contributions are not taxable if you have contributed after tax for a period of at least five calendar years and are at least age 59½. If you are eligible for distribution and do not meet these requirements, earnings on the distribution will be reported as taxable income.

In most cases, WRS must withhold a minimum of 20% of the money you withdraw for federal income taxes.

Rollover contributions and transfers

You may roll money you have in past employers' retirement savings plans or a traditional IRA into the WRS 457 Plan. Money contributed before-tax to a traditional IRA may be directly rolled into the WRS 457 Plan. Money in a Roth IRA may not be rolled into the WRS 457 Plan. You may take distributions from rollover accounts while you are working for your WRS participating employer.

If you have money in another 457 plan, you may transfer money to the WRS 457 Plan. However, while you are working for your WRS participating employer distributions of this transferred money are not allowed.

If you are considering a rollover or transfer, the WRS Rollover Comparison Checklist may help you make that decision. You'll find the checklist at retirement.wyo.gov.

Don't forget to name your beneficiary or beneficiaries

A beneficiary is the person you select to receive the money in your WRS 457 Plan account should you pass away. You can select or change your beneficiary(ies) by logging into your online account or with a form at any time.

Other WRS 457
Plan Features



Sick and vacation pay

You can put lump sum payouts for unused sick and vacation leave into the plan, although the IRS annual plan contribution limit still applies. Because procedures for these payouts vary from employer to employer, please check with your payroll specialist at least two months in advance. You must complete a WRS 457 Plan form to elect a contribution of sick and annual leave prior to ending employment.

More information about Special Catch-Up

You may be eligible to use the higher Special Catch-Up limit for three consecutive calendar years prior to Normal Retirement Age (NRA). The maximum limit for Special Catch-Up is twice the annual contribution limit—\$36,000 for 2016. However, your specific limit will depend on prior unused contributions to the WRS 457 Plan. For example, if you contributed less than the annual contribution limit in past years, that amount will be available during your Special Catch-Up period.

Your NRA determines the period during which you may use the Special Catch-Up limits. NRA is defined as 70½ for members of a WRS 457 Plan unless you make a one-time election of an alternate NRA on the form required by the WRS 457 Plan. The earliest alternate NRA you may elect is the age at which you qualify for unreduced pension benefits from your WRS pension plan. If you are not a member of a WRS pension plan, your NRA is age 65. If you retire in one of the three years prior to the NRA you declared, you could use your specific limit for Special Catch-Up in the year you retire.

You need to work with WRS to establish your NRA and personal limit. If you are interested in Special Catch-Up, please contact WRS at 307.777.7691.

Special feature for public safety

Retired or permanently disabled public safety officers have the option of excluding up to \$3,000 from gross income, if direct payment of premiums to a qualified insurer is elected as the distribution option.

In the event of an unforeseeable financial emergency

You may be able to take a withdrawal from the plan while you are working if you experience an emergency due to extraordinary and unforeseeable circumstances. Examples include imminent foreclosure on or eviction from your primary residence, or the need to pay uninsured medical expenses. However, withdrawals cannot be made if the emergency may be taken care of through other means, such as insurance or the use of other assets.

Unforeseeable emergencies do not include circumstances that could be planned for, such as repayment of debt, payment for education, purchase of home or automobile, or payment of taxes. Unforeseeable emergency distribution withdrawals must be approved by the WRS 457 Plan Unforeseeable Financial Emergency Committee and meet IRS regulations. For more information, or to apply for a distribution under the unforeseeable emergency provision, contact WRS.

More information about before-tax or after-tax contributions

You can elect to contribute to the WRS 457 Plan before-tax, after-tax, or a contribution of both.

If you elect to contribute to the Plan before-tax, payroll deductions taken each pay period will be taken before federal income taxes are calculated. Your actual reduction in take-home pay is less than your contribution. If your employer contributes to the 457 Plan, these contributions must always be before-tax and will be taxed upon distribution.

If you elect to contribute after-tax, federal income taxes are calculated before payroll deductions are taken each pay period. In other words, your contribution amount does not reduce the federal income taxes withheld from your pay.

Comparison of pre-tax and after-tax contributions

Maria earns \$2,500 a month and is in a 28 percent tax bracket. She is considering contributing \$150 of her pay to the 457 Plan before-tax or \$108 after-tax. Either contribution will result in the same spendable income for Maria.

Because distributions of before-tax and after-tax contributions are taxed differently, Maria's decision about whether to invest before-tax or after-tax may depend on what her tax bracket is now and what she expects it to be at retirement. It may also depend on whether she thinks taxes will go up or down over time. WRS cannot provide tax advice, so this is something you may want to discuss with your tax advisor.

| | Before-Tax Contributions | After-Tax Contributions |
|--|-----------------------------|----------------------------|
| Maria's monthly adjusted gross income | \$2,500 | \$2,500 |
| Contributions to 457 Plan | -\$150 | -\$108 |
| Taxable income | \$2,350 | \$2,500 |
| Taxes (assumes 28 percent rate) | -\$658 | -\$700 |
| "Spendable" income | \$1,692 | \$1,692 |

Distributions for before-tax and after-tax amounts are treated differently for tax purposes. Before-tax contributions and growth are not taxed, but upon distribution they are subject to ordinary income taxes. After-tax contributions and growth with “qualified distributions” are tax-free. A qualified distribution for after-tax accounts means the participant has severed from employment and in addition, has held the account for at least five calendar years, and is at least age 59 ½. If the participant has severed employment, but does not meet the other two requirements, distributions of investment earnings will be taxable and the contribution will be tax-free.

Although similar in some ways, after-tax contributions to the 457 Plan are not subject to the same IRS rules as Roth IRAs. With after-tax contributions to the 457 Plan, you can take advantage of the full contribution limit of \$18,000 if you are under age 50 or \$24,000 if you are age 50 or over in 2016, and there is no income limit. The contribution limit for Roth IRAs is lower (\$5,500 if you are under age 50, and \$6,500 if you are over age 50 as of 2016). Additionally, there

are income limits for Roth IRAs. As of 2016, you cannot contribute to a Roth IRA if your income is \$131,000 or more and you are single, or if your income is \$193,000 or more and you are married.

In-plan after-tax (Roth) conversion

You may elect to have any portion of your 457 before-tax balance converted to your designated 457 after-tax account balance. Any conversion of before-tax contribution balances to an in-plan after-tax balance will result in reportable taxable income of the converted pre-tax balance amount.

Life Events that
Could Impact Your
Retirement Savings

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If you leave your job

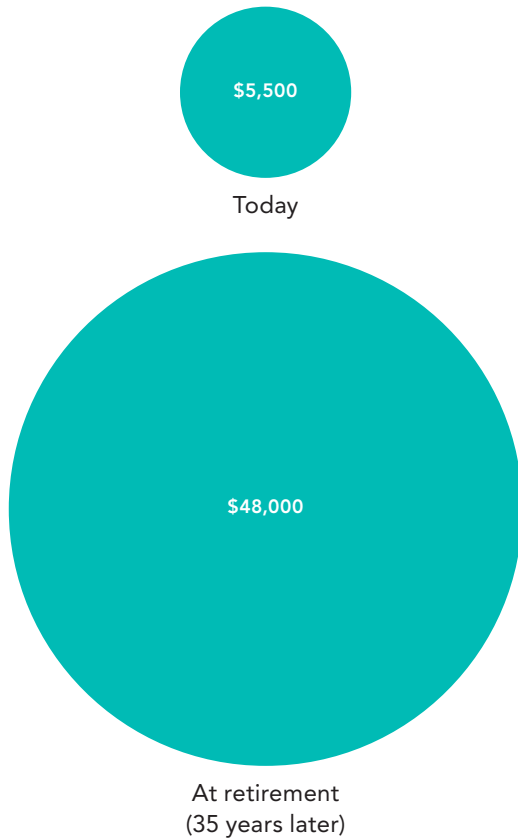
You can leave your money right where it is. You don't have to do anything and you can continue to enjoy the low-cost, high-quality funds available in the 457 Plan.

Alternatively, you can also take a taxable (if applicable) withdrawal of your money. You may also make a non-taxable rollover to another qualified retirement plan at another employer or an IRA.

Before you withdraw, consider that even small balances can become a source of income in retirement. A \$5,500 balance today could potentially grow to approximately \$48,000 thirty-five years from now.

When you “cash out,”
your money stops growing.

Here’s an example of the potential
growth of \$5,500 when left
in the Wyoming 457 Plan.



Effect of compound interest on \$5,500 at 6.5% for 35 years.

If you are in the military

Military deployment of more than 30 days may allow you to take withdrawals from your account. If you are deployed and are receiving no compensation from your employer, you may be eligible to make up missed contributions.

If you get married

You may want to change your name and/or your beneficiary designation. A beneficiary is the person you select to receive the money in your WRS 457 Plan account should you pass away. You can change your beneficiary by logging into your online account or with a form. You can change your name by completing a form and including legal documentation. The forms are at retirement.wyo.gov.

If you get divorced

In the case of a divorce, WRS requires a Domestic Relations Order (DRO) signed by a judge to split your 457 Plan account. A separate DRO is required to divide assets in the WRS pension plans.

Sample DRO language for the WRS 457 Plan and pension plans are available at retirement.wyo.gov. WRS encourages the use of the sample DRO language.

When you are a few years from retiring Practice living on the amount of income you expect to have in retirement. Use WRS' pre-retirement checklist. Additionally, attend the seminars WRS has for pre-retirees and schedule an individual counseling session with a WRS Retirement Educator who can talk with you in-depth about your situation.

When you are retired

You are eligible for distributions from your WRS 457 Plan account. Continue to manage your retirement assets and attend the seminars WRS offers to retirees.

If you die

The beneficiary(ies) you have selected will be able to take distributions from your account. Keep your beneficiary designation updated. The choices your beneficiary(ies) will have depends on whether you were taking distributions at the time of your death and the relationship of your beneficiary(ies) to you.



Managing
Your Account

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Managing your deferred compensation plan account

As a participant in the 457 Plan, you receive a quarterly account statement at your address of record within 20 business days of the end of the calendar quarter. You may also elect to receive electronic statements. The statement shows your account balance and any investment activity during the quarter. You can also check your account balance by calling the 457 Plan at 307.777.7691 or by visiting the plan website at www.wrsdcp.com. You must enter your username and personal identification number (PIN) to access your account online. New online users can create an account.

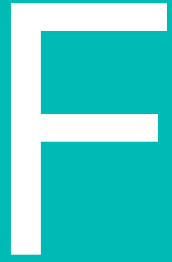
Changing information

You can also log in to your individual account on www.wrsdcp.com to change personal information, such as address or beneficiary.

Working together to help
you reach your retirement goals

WRS offers the Pension and 457 Plans to help you reach your retirement goals. Social Security supplements these benefits by providing an additional source of retirement income—helping you to enjoy a more secure financial future.

Your employer helps pay the cost of your Pension Plan benefits, but investing in the 457 Plan is up to you. If you don't participate in the plan yet, there's probably no better time to begin. If you already participate, consider increasing your contribution rate whenever you can. Your future is in your hands. Take charge of your retirement today.



Resources

Resources

WRS offers its members a lot of resources and education to answer any questions you have. Help is available on the phone or on our website. To get help or to ask questions use the following contact information.

| | Pension | 457 Plan |
|---------|--|--|
| Email | pension@wyo.gov | 457pln@wyo.gov |
| Phone | 307.777.7691 | 307.777.7691 |
| Fax | 307.777.5995 | 307.777.3621 |
| Website | retirement@wyo.gov | retirement@wyo.gov |

WRS' Retirement Educators are available to assist you in learning about your benefits, investing and retirement planning. Check the website for dates of seminars in your location. You can also talk individually to a Retirement Educator.

The following documents and publications are also available to you at retirement.wyo.gov.

- Pension Plan Handbooks
- 457 Plan Document—the official regulations that govern the WRS 457 Plan
- Forms
- Investment Basics for Mix-Your-Own Investors
- Risk Tolerance Quiz
- Sample Portfolios
- Glossary of Investment Terms

This publication is intended to serve as a summary of information related to participation in the Wyoming Retirement System 457 Plan. None of the information contained in this publication is intended to supersede or replace any provision of the WRS 457 Plan Document or the laws of the State of Wyoming. This publication and all included materials are not a binding contract. Employees join the 457 Plan, choose investment options, and participate over time on a voluntary basis. Neither the Wyoming Retirement Board nor WRS is responsible for any gains or losses resulting from or alleged to have resulted from, directly or indirectly, the information contained in or related to this publication. No information in this publication should be construed as advice. Employees should consult appropriate professionals for financial, tax and legal advice.

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