

# State of New Hampshire 457(b) Public Employees Deferred Compensation Plan Features and Highlights

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The State of New Hampshire 457(b) Public Employees Deferred Compensation Plan (NHDCP) is a powerful tool to help you reach your retirement dreams. As a supplement to your New Hampshire Retirement System benefits and any other retirement plans or savings that you may have, this voluntary Plan allows you to save and invest extra money for retirement on a before-tax and after-tax basis.

In addition to having a choice of before-tax or after-tax contributions through the Plan, you may build extra savings consistently and automatically, select from a variety of investment options, and learn more about saving and investing for your financial future.

Read these highlights to learn more about your Plan and how simple it is to enroll.

## Getting Started

### What is a 457(b) deferred compensation plan?

A governmental 457(b) deferred compensation plan is a retirement savings plan that allows eligible employees to supplement any existing retirement and pension benefits by saving and investing before-tax dollars through a voluntary salary contribution. Contributions and any earnings on contributions are tax-deferred until money is withdrawn. Distributions are usually taken during retirement, when many participants are typically receiving less income and may be in a lower income tax bracket than while working. Distributions may be subject to ordinary income tax. You also have the option to contribute to a Roth 457 account, which allows you to make after-tax contributions.

### Why should I participate in the Plan?

You may want to participate if you are interested in saving and investing additional money for retirement and/or reducing the amount of current state and federal income tax you pay each year. Your NHDCP can be an excellent tool to help make your future more secure.

You may also qualify for a federal income tax credit by participating in this Plan. For more information about this tax credit, please contact your Empower Retirement™ education counselor.<sup>1</sup>

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

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).

### What are the advantages of saving on a tax-deferred basis?

As your retirement account grows, you do not pay taxes on any earnings on before-tax contributions until you begin to withdraw money. And with the added benefit of compounding, any potential

earnings on all contributions are reinvested in your account, where they have the potential to grow even more since they are not being reduced by taxes each year.

### What are the advantages of Roth savings?

Roth contributions are made with after-tax dollars, which means you won't pay taxes on qualified distributions upon retirement. You pay taxes on your Roth 457 contributions up front, rather than deferring those taxes until you take a distribution.

### Who is eligible to enroll?

To enroll in the Plan, employees must meet the following criteria:

- You must be employed full-time or part-time by the State or any political subdivision in New Hampshire; and
- You must be age 18 or older.

### How do I enroll?

Complete the appropriate enrollment forms, indicating the amount you wish to contribute, your investment option selection(s), and your beneficiary designation(s). Please return the form(s) to your Empower Retirement education counselor.

### What are the contribution limits?

In 2015, the maximum contribution amount is 100% of your includible compensation or \$18,000, whichever is less.

Participants in the NHDCP have two different opportunities to catch up and contribute more during the final years of their career. "Special Catch-Up" allows participants in the three calendar years prior to normal retirement age to contribute more to the NHDCP (up to double the annual contribution limit—\$36,000 in 2015). The additional amount that you may be able to contribute under the Special Catch-Up option will depend upon the amounts that you were eligible to contribute in previous years but did not.

Also, participants turning age 50 or older in 2015 may make an Age 50+ Catch-Up contribution to the Plan, which allows participants to contribute an additional \$6,000 each year. You may not use the Special Catch-Up provision and the Age 50+ Catch-Up provision in the same year.

### What are my investment options?

A wide array of core investment options is available through your NHDCP. Each option is explained in further detail in your Plan's fund data sheets. Investment option information is also available through the website at [www.NHDCP.com](http://www.NHDCP.com) and KeyTalk®, toll-free, at (877) 457-3535. The website and KeyTalk are available to you 24 hours a day, seven days a week.<sup>2</sup>

In addition to the core investment options, a self-directed brokerage (SDB) account is available through TD Ameritrade. The SDB account allows you to select from more than 1,000 mutual funds outside of the Plan, including Exchange-Traded Funds (ETFs) and any stock traded on the major American exchanges, for an additional annual administrative fee of \$50 per person, deducted

from your account at \$12.50 quarterly (plus any additional trading and transaction fees). These securities are not offered through GWFS Equities, Inc. The SDB account is intended for knowledgeable investors who acknowledge and understand the risks associated with the investments contained in the SDB account.

## **Managing Your Account**

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

Empower Retirement will mail you a quarterly account statement showing your account balance and activity. You can also check your account balance and move money among investment options on the website at [www.NHDCP.com](http://www.NHDCP.com) or by calling KeyTalk at (877) 457-3535.<sup>2</sup>

You will receive a separate statement from your SDB provider that will detail the investment holdings and activity within your SDB account, including any fees and charges imposed in connection with the SDB.

### **How do I make investment option changes?**

Use your Passcode<sup>3</sup> and Username to access the website, or you can use your Social Security number and Personal Identification Number<sup>3</sup> (PIN) to access KeyTalk.<sup>2</sup> You can move all or a portion of your existing balances among investment options (subject to Plan rules) and change how your payroll contributions are invested.

### **How do I make contribution changes?**

Fill out a Salary Deferral Agreement available on the website, [www.NHDCP.com](http://www.NHDCP.com),<sup>2</sup> or from your Empower Retirement education counselor.

## **Rollovers<sup>4</sup>**

### **May I roll over my account from my former employer's plan?**

Yes, but only approved balances from a 401(a), 401(k), 403(b) or eligible governmental 457(b) plan or an Individual Retirement Account (IRA) may be rolled over to the Plan. Neither the NHDCP nor Empower Retirement assesses any fees to roll over your account into the NHDCP. You may also transfer a prior employer-sponsored Roth account into your Roth 457 account in the NHDCP.

### **May I roll over my Roth IRA to the Roth 457 account?**

No, you cannot roll a Roth IRA into any other type of retirement plan account.

### **May I roll over my account if I leave employment with my current employer?**

If you sever employment with your current employer, you may roll over your traditional 457 account balance to another 401(a), 401(k), 403(b) or eligible governmental 457(b) plan if your new employer's plan accepts such rollovers. You may also roll over your account balance to an IRA. You also have the option of rolling over your Roth 457 account to a Roth IRA or to a 457, 401(k) or 403(b) plan that has a designated Roth account and accepts Roth rollovers.

Please keep in mind that if you roll over your NHDCP balance to a 401(k), 403(b) or 401(a) plan or an IRA, distributions taken before age 59½ may also be subject to the 10% early withdrawal federal tax penalty. Please contact your Empower Retirement education counselor for more information.

## **Vesting**

### **When am I vested in the NHDCP?**

Vesting refers to the percentage of your account you are entitled to receive from the NHDCP upon the occurrence of a distributable event. Your contributions to the NHDCP and any earnings they generate are always 100% vested (including rollovers from previous employers).

## **Distributions**

### **When can I receive a distribution from my before-tax account?**

Qualifying distribution events are as follows:

- Retirement
- Unforeseeable emergency (as defined by the Internal Revenue Code)
- Severance of employment (as defined by the Internal Revenue Code provisions)
- Attainment of age 70½
- Death (upon which your beneficiary receives your benefits)
- Transfer to purchase service credit (within limits as stipulated by the New Hampshire Retirement System guidelines)

Each distribution is subject to ordinary income tax, except for an in-service transfer to purchase service credit.

### **When can I receive a distribution from my Roth account tax-free?**

Your Roth distributions are income tax-free and penalty-free if you withdraw your Roth contributions and any earnings after you have reached a qualifying event, have held the account for at least five taxable years, and:

- You are at least 59½; or
- You become disabled; or
- You die (after which your beneficiaries will take the withdrawal).

### **What are my distribution options?**

- Leave the value of your account in the Plan until a future date.
- Receive:
  - Periodic payments;
  - Fixed annuity payments;
  - Partial lump sum with remainder paid as periodic payments or annuity payments; or
  - A lump sum.
- Roll over your account balance to a 401(a), 401(k), 403(b) or eligible governmental 457(b) plan or to an IRA.

**Retiree Notice:** If you work full-time for the State of New Hampshire or county, city, or town that participates in the NHDCP, retire and then return to work part-time, you are not entitled to receive a distribution as long as you remain working. The only exceptions would be the attainment of age 70½ or an unforeseen emergency withdrawal. Depending on your employment status, you may also be eligible for a loan from your plan account.

### What happens to my account when I die?

Your designated beneficiary(ies) will receive the remaining value of your account, if any. Your beneficiary(ies) must contact a Empower Retirement education counselor to request a distribution.

## Fees

### Are there any recordkeeping or administrative fees to participate in the NHDCP?

There are no Plan administration fees assessed to your individual account. There are general administrative and recordkeeping fees and charges assessed to the Plan through the New Hampshire Stable Value Fund<sup>5</sup> and variable investment options (mutual funds) as noted below.

### Are there any fees for the investment options?

Each investment option has an investment management fee that varies by investment option. These fees are deducted by each investment option's management company before the daily price or performance is calculated. Fees pay for trading individual securities in the underlying investment options and other management expenses.

Target date funds<sup>6</sup> are generally subject to fund operating expenses at the target date fund level, as well as a prorated fund operating expense of each underlying fund in which they invest. In addition, the Deferred Compensation Commission has approved an annual 0.14% fee (0.035% each quarter) that will be charged on a prorated basis across all participant balances invested in the T. Rowe Price Retirement target date funds.

Similar to the target date funds, the Vanguard Dividend Growth fund (VDIGX) has an additional Commission approved annual fee of .25% (0.0625% each quarter) that will be charged on a prorated basis across all participant balances in this fund.

The Vanguard International Index fund - Admiral (VTIAX) also has an additional approved annual fee of .15% (0.0375 each quarter) that will be charged on a prorated basis across all participants in this fund.

*Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information about investments offered through your Plan, you may obtain prospectuses for mutual funds, any applicable annuity contract and the annuity's underlying funds from your registered representative or Plan website. For prospectuses related to investments in your Self-Directed Brokerage (SDB) account, contact your SDB account provider. Read them carefully before investing.*

Funds may impose redemption fees on certain transfers, redemptions or exchanges. There are additional quarterly fees and/or transaction fees to participate in the SDB account option.

Please contact your Empower Retirement education counselor for more information about any potential investment option fees.

The Great-West SecureFoundation® Guarantee Benefit Fee is in addition to the fees and expenses of the Plan. For more important information regarding Great-West SecureFoundation, including product specifics and fees, refer to the Great-West SecureFoundation Summary Disclosure Statement attached to the Enrollment Form and also located on the website, [www.NHDCP.com](http://www.NHDCP.com).<sup>2</sup>

### Are there any distribution fees?

There are no Plan distribution fees.

## Loans

### May I take a loan from my account?

Yes, you may borrow from your Plan account. Your Plan allows you to borrow up to 50% of your total account balance or \$50,000, whichever is less. The minimum loan amount is \$1,000 and you have up to five years to repay your loan. There is a one-time origination fee of \$50 deducted from the loan check, plus a quarterly maintenance fee of \$6.25 charged to your account. **Please note:** You must be currently employed and have a minimum account balance of \$2,000 in order to request a loan from your NHDCP account.

## Taxes

### How do traditional 457 contributions affect my taxes?

Because your traditional 457 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 during retirement.

Before-tax distributions from the Plan are taxable as ordinary income during the years in which they are distributed or made available to you or to your beneficiary(ies).

### How do Roth 457 after-tax contributions affect my take-home pay?

Roth 457 contributions reduce your take-home pay more than traditional 457 contributions because you pay taxes on your Roth 457 contributions up front, rather than deferring those taxes until you take a distribution.

You will not owe any additional income tax if you withdraw your Roth contributions and any earnings after a five-year taxable period and as long as the withdrawal is:

- Made on or after the date you attain age 59½; or
- Made after your death (your beneficiary will receive your account); or
- Is attributable to your being disabled.

If a distribution is made from your Roth 457 account before you reach age 59½ and it is not due to death or disability or before five taxable years (beginning on the first day of the tax year when you made your first Roth contribution), you will pay income taxes on any earnings that are distributed. Otherwise, there is no income or penalty tax due on the Roth



contributions distributed from the Plan because they were made with after-tax dollars. It's important to remember that you must have a distribution event before you can take a withdrawal of your Roth 457 account.

## Investment Assistance

### Can I get help with my investment decisions?

Employees of Empower Retirement and the State of New Hampshire cannot give investment advice. There are financial calculators and tools on the website that can help you determine which investment options might be best for you if you would like to construct your Plan account yourself.

### How can I get help choosing my investment options?

Your Plan offers access to three different levels of investment advisory tools and services called Reality Investing® Advisory Services (Advisory Services), offered by Advised Assets Group, LLC (AAG), a federally registered investment adviser. You can have AAG manage your retirement account for you. Or if you prefer to manage your retirement account on your own, you can use online investment guidance and advice tools. These services provide a retirement strategy based on your investment goals, time horizon, and tolerance for risk. There is no guarantee that participation in Advisory Services will result in a profit or that your account will outperform a self-managed portfolio.

For more detailed information, please log on to your Plan's website at [www.NHDCP.com](http://www.NHDCP.com) (click on the Advisory Services tile) or call KeyTalk at (877) 457-3535 to speak to an AAG adviser representative.

### What fees do I pay to participate in Advisory Services?

While there is no cost to use the Online Investment Guidance tool, there is a \$25 annual fee assessed to your account at \$6.25 quarterly for the Online Investment Advice tool. If you choose to have AAG manage your account for you, the annual Managed Account fee will be assessed to your account in quarterly installments based on your account balance, as follows:

Participant Account Balance	Annual Managed Account Fee
Less than \$100,000	0.45%
Next \$150,000	0.35%
Next \$150,000	0.25%
Greater than \$400,000	0.15%

For example, if your account balance is \$50,000, the maximum annual fee will be 0.45% of the account balance. If your account balance is \$500,000, the first \$100,000 will be subject to an annual maximum fee of 0.45%; the next \$150,000 will be subject to a maximum annual fee of 0.35%; the next \$150,000 will be subject to a maximum annual fee of 0.25%; and any amounts over \$400,000 will be subject to a maximum annual fee of 0.15%.

## How do I get more information?

Visit the website at [www.NHDCP.com](http://www.NHDCP.com) or call KeyTalk, toll- free, at (877) 457-3535 for more information.<sup>2</sup> The website provides information regarding your Plan and financial education, as well as financial calculators and other tools to help you manage your account.

To make an appointment to speak with your local Empower Retirement education counselor, contact him or her at:

2 Capital Plaza  
3rd Floor, Suite 307  
Concord, NH 03301  
(877) 457-3535

### If there are any discrepancies between this document and the Plan Document or Summary Plan Description, the Plan Document and/or Summary Plan Description will govern.

1 Representatives of GWFS Equities, Inc. are not registered investment advisors and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax advisor as needed.

2 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 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.

3 The account owner is responsible for keeping the assigned PIN/passcode confidential. Please contact Client Services immediately if you suspect any unauthorized use.

4 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.

5 The New Hampshire Stable Value Fund is a separate account product offered by Great-West Life & Annuity Insurance Company and is not backed by the general assets of Great-West Life & Annuity Insurance Company.

6 Asset allocation and balanced investment options and models are subject to the risks of the underlying funds, which can be a mix of stocks/stock funds and bonds/bond funds. The principal value of the T. Rowe Price Retirement Funds is not guaranteed at any time, including at or after the target date, which is the approximate date when investors turn age 65. For more information, please refer to the fund prospectus and/or disclosure document.

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

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