

TEXA\$AVERSM
401(k) / 457 Program

READY, SET, RETIRE



AGENDA

Phase One: Save

- Building a Balanced Retirement plan
- The Benefits of Saving Through the Texa\$averSM Program
- Special 457 Catch-Up

Phase Two: Distribution

- Options

Keeping Account Information Current

- Beneficiary Form
- Change of Address

Additional Resources



The information provided today is for general education purposes. Representatives of GWFS Equities, Inc. are not able to give financial, legal or tax advice. For that kind of specific financial help, please see your financial planner, attorney or accountant.

FACING THE FACTS

Many people are living longer, healthier lives

- You may spend 20-30 years — or more — in retirement.

Costs to retire are increasing

- Many financial advisors say you'll need about 70% of your pre-retirement earnings to comfortably maintain your pre-retirement standard of living after you stop working full time.¹

Only 22% of people are “very confident” they will have enough money to live comfortably throughout their retirement years.²



¹ Source: Understanding Benefits - www.socialsecurity.gov, 2015

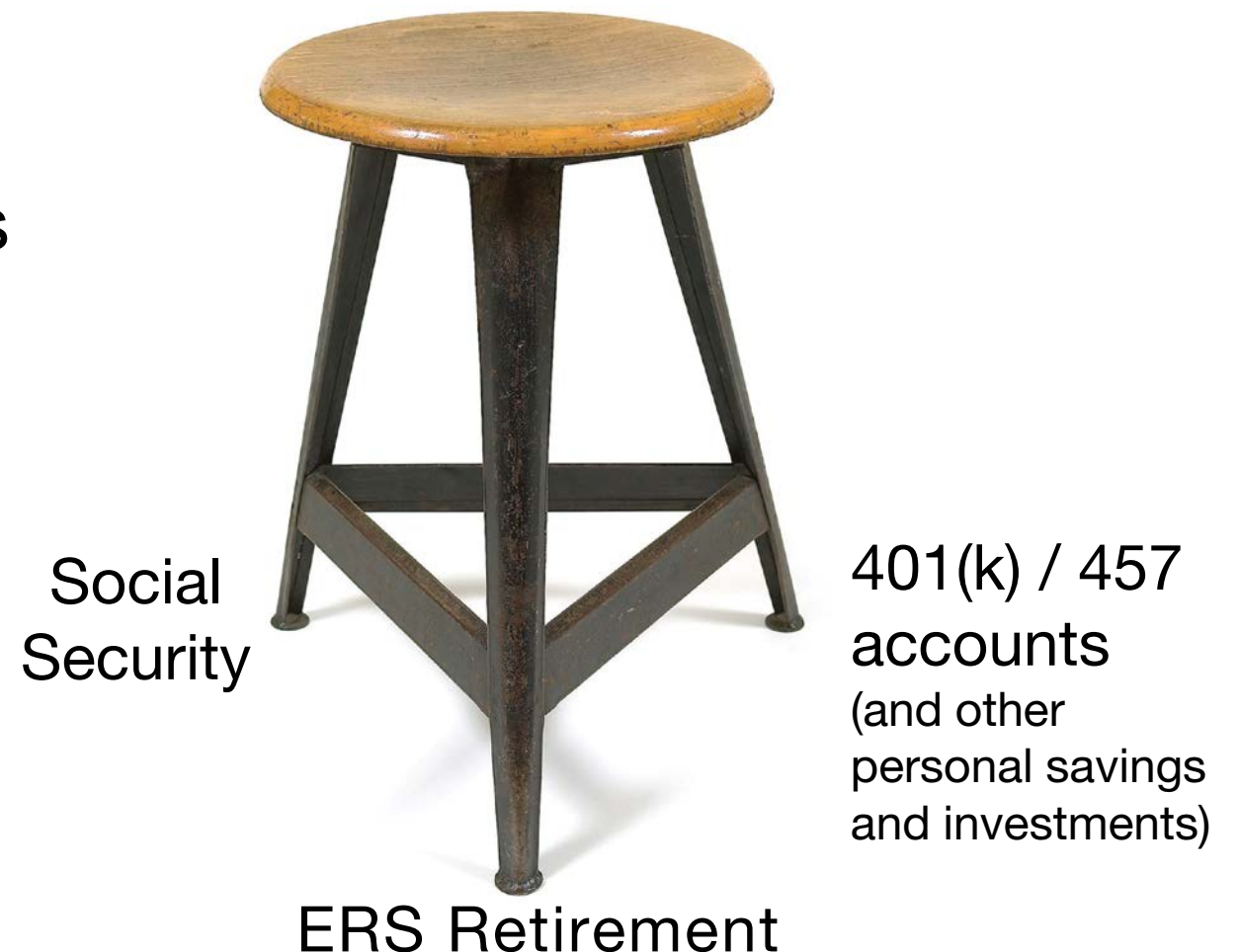
² Employee Benefit Research Institute and Mathew Greenwald & Associates, Inc., www.ebri.org, 2015 Retirement Confidence Survey

A BALANCED RETIREMENT PLAN

Three sources of retirement income:

1. Employee ERS Retirement (ERS Retirement Program)
2. Social Security
3. Texa\$aver 401(k) and 457 plans (IRA or other personal savings and investments)

The “three-legged stool”



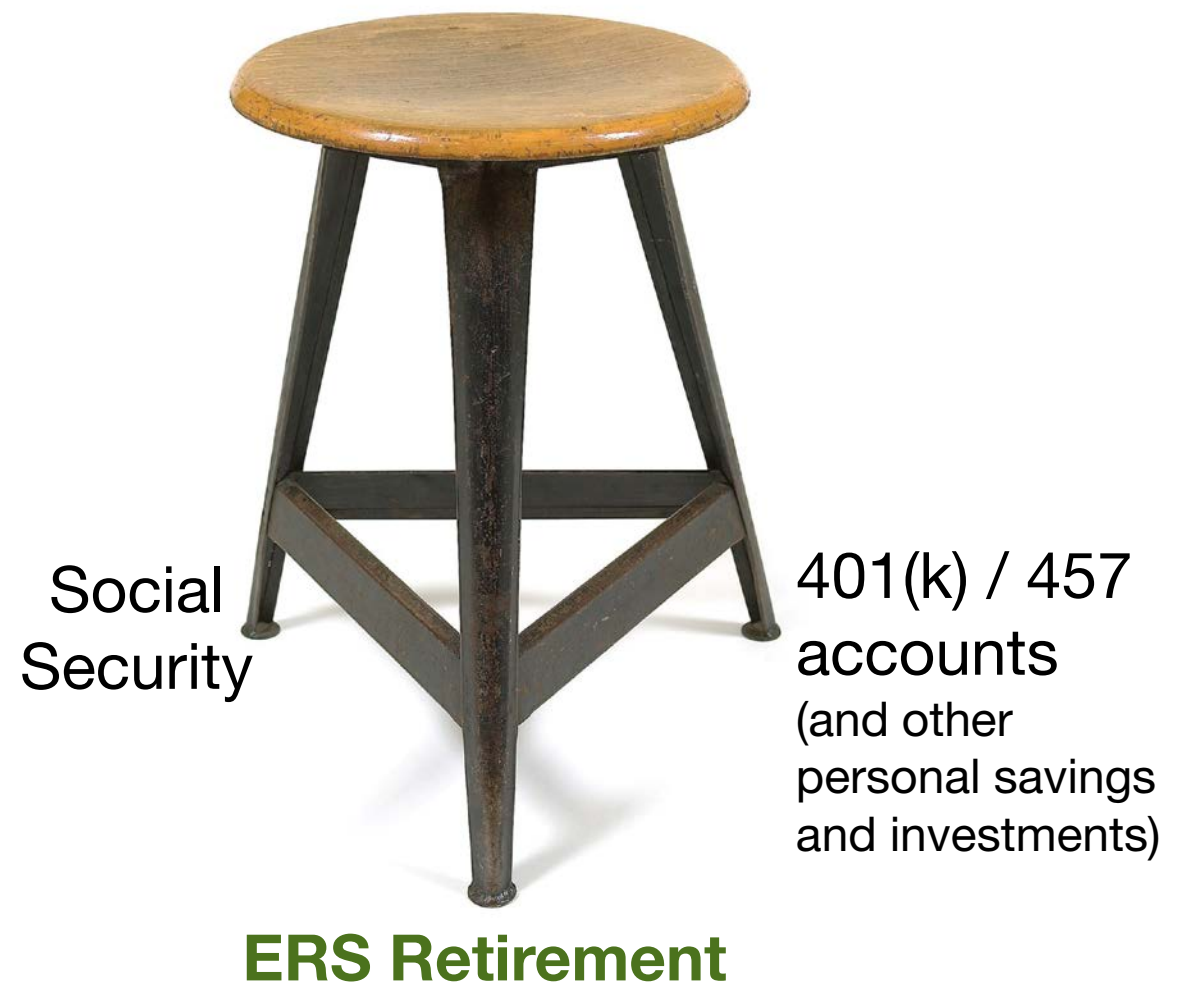
ERS RETIREMENT PROGRAM

At a glance

- Average Age: **58**
- Average Years of Service: **21.9***
- Average ERS Standard Annuity: **about 50%****

Your ERS Retirement may only cover about 50% of your pre-retirement income.*

The “three-legged stool”



* Based on the average for 2014 ERS standard annuity for retirees with 21.9 years of service.

** The income from your ERS Standard annuity is dependent on your final salary and how long you've worked for the State.

SOCIAL SECURITY

- Changes are coming
- Current benefit levels in question
- Potential for reduced benefit

It's possible that you may receive less than your full Social Security benefit to help fund your retirement.

The “three-legged stool”



PERSONAL SAVINGS

- **Your Texa\$aver Account**
- IRAs
- Credit Union and Bank Accounts

A large part of your retirement income may come from these sources.

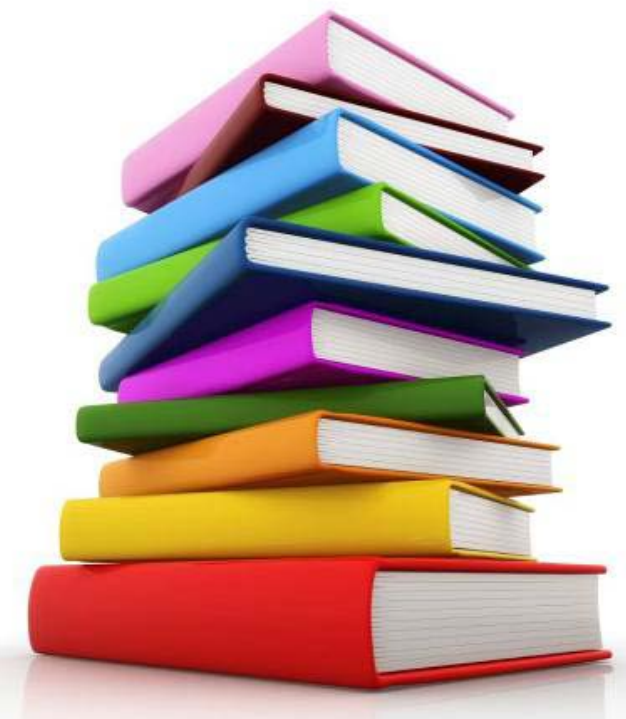
The “three-legged stool”



PHASE ONE: SAVE

Saving through the Texa\$aver Program puts you in control of your retirement journey.

- Before-tax and Roth after-tax contribution types
- Payroll deduction
- Professional investment advice through Texa\$aver Advisor Service, provided by Advised Assets Group, LLC (AAG), a federally registered investment adviser
- Roll over previous IRAs, 401(k) or 457 accounts
- Purchase service credit
- Flexible distribution options
- Defer unused annual leave
- Competitive fees
- Stay with Texa\$aver even after you go



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.

PHASE ONE: SAVE 401(k) PLAN



401(k) plan

Eligibility	Part-time and full-time state employees, upon date of hire or anytime thereafter. <u>Excludes</u> higher education employees.
Maximum Annual Deferral	99% of plan-eligible compensation or \$18,000 per year, whichever is less. The 2016 annual contribution limit is \$24,000 if you are 50 or older. You may put money in the 401(k), 457, or both as either before-tax or Roth, or both. Employees of higher education agencies that have elected to offer Roth can participate in the Roth option.
Saver's Tax Credit	Eligible participants will receive a non-refundable tax credit of up to 50% on an annual contribution of \$2,000 in elective deferrals, in addition to the tax deferral. This generally applies to joint filers with an AGI of up to \$61,000 and single filers with an AGI of \$30,000. To submit, complete federal Form 1040 and 8880.
Tax Penalties	A 10% federal penalty tax may apply to distributions made before age 59½. A 50% federal tax penalty applies if a small amount of Required Minimum Distributions (RMDs) are not taken from your account at age 70½, unless you are still employed by the State. <u>This applies to both before-tax monies and Roth earnings, if any.</u>

PHASE ONE: SAVE 457 PLAN



457 plan

Eligibility	Part-time and full-time state and higher education employees, upon date of hire or anytime thereafter. ¹
Maximum Annual Deferral	99% of plan-eligible compensation or \$18,000 per year, whichever is less. The 2016 annual contribution limit is \$24,000 if you are 50 or older. You may put money in the 401(k), 457, or both as either before-tax or Roth, or both. Employees of higher education agencies that have elected to offer Roth can participate in the Roth option.
Saver's Tax Credit	Eligible participants will receive a non-refundable tax credit of up to 50% on an annual contribution of \$2,000 in elective deferrals, in addition to the tax deferral. This generally applies to joint filers with an AGI of up to \$61,000 and single filers with an AGI of \$30,000. To submit, complete federal Form 1040 and 8880.
Tax Penalties	<p>No 10% federal penalty tax applies to distributions of 457 money made before age 59½. A 50% federal tax penalty applies if RMDs are not taken at age 70½, unless you are still employed by the State.</p> <p><u>This applies to both before-tax and Roth money types.</u></p> <p><i>Withdrawals may be subject to ordinary income tax. The 10% federal early withdrawal penalty does not apply to 457 plan withdrawals except for withdrawals attributable to rollovers from another type of plan or account.</i></p>

¹ Community college employees may enroll in the 457 plan if their community college offers the plan.

PHASE ONE: SAVE

Special 457 Catch-Up

In the last three years prior to retirement, you may defer up to twice the normal Section 457 contribution limit.

- 2016 Special Catch-up limit total is \$36,000 for before-tax, Roth, or a combination
- Complete form to determine eligibility
- Contact Texa\$aver for assistance
- Cannot be used in conjunction with Age 50 and Over Catch-up



Administrative fee structure per plan

- Administrative fees apply separately to before-tax and Roth contributions.*
- The Program is not funded by the State. Therefore, fees for before-tax and Roth assets are assessed separately, using the same fee schedule, to pay for the administration and record keeping of the Program.

Account Balance	Monthly Fee per Participant per Account per Contribution Type
\$10.00 or less	No fees
Between \$10.01 and \$1,000.00	\$1.18
Between \$1,000.01 and \$16,000.00	\$3.99
Between \$16,000.01 and \$32,000.00	\$6.00
Between \$32,000.01 and \$48,000.00	\$8.17
Between \$48,000.01 and \$64,000.00	\$10.89
\$64,000.01 and more	\$13.62

* TexaSaver fees are assessed on the entire balance of your account (Core and PCRA combined).

BEFORE YOU MAKE A DISTRIBUTION

Remember you can stay in the plan

- Meet with an investment adviser representative through the Texa\$aver Advisor Service
- Keep your Educational Representative.
- Go to group meetings.
- Roll in money.
- Keep your same account at institutional pricing.
- Receive fund fee reimbursements—Texa\$aver gave back more than \$2.5 million in fund fee rebates in 2015.¹
- Call the same customer service center.
- Keep your web login.
- Use the same website features and tools (and get all the future upgrades).

¹ Fee reimbursements may be modified or terminated at any time.

There is no guarantee that participation in the Texa\$aver Advisor Services will result in a profit or that your account will outperform a self-managed portfolio.

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.

PHASE TWO: DISTRIBUTION OPTIONS

Distribution Options

Speak with your representative by calling **(800) 634-5091** before you make any decisions.¹

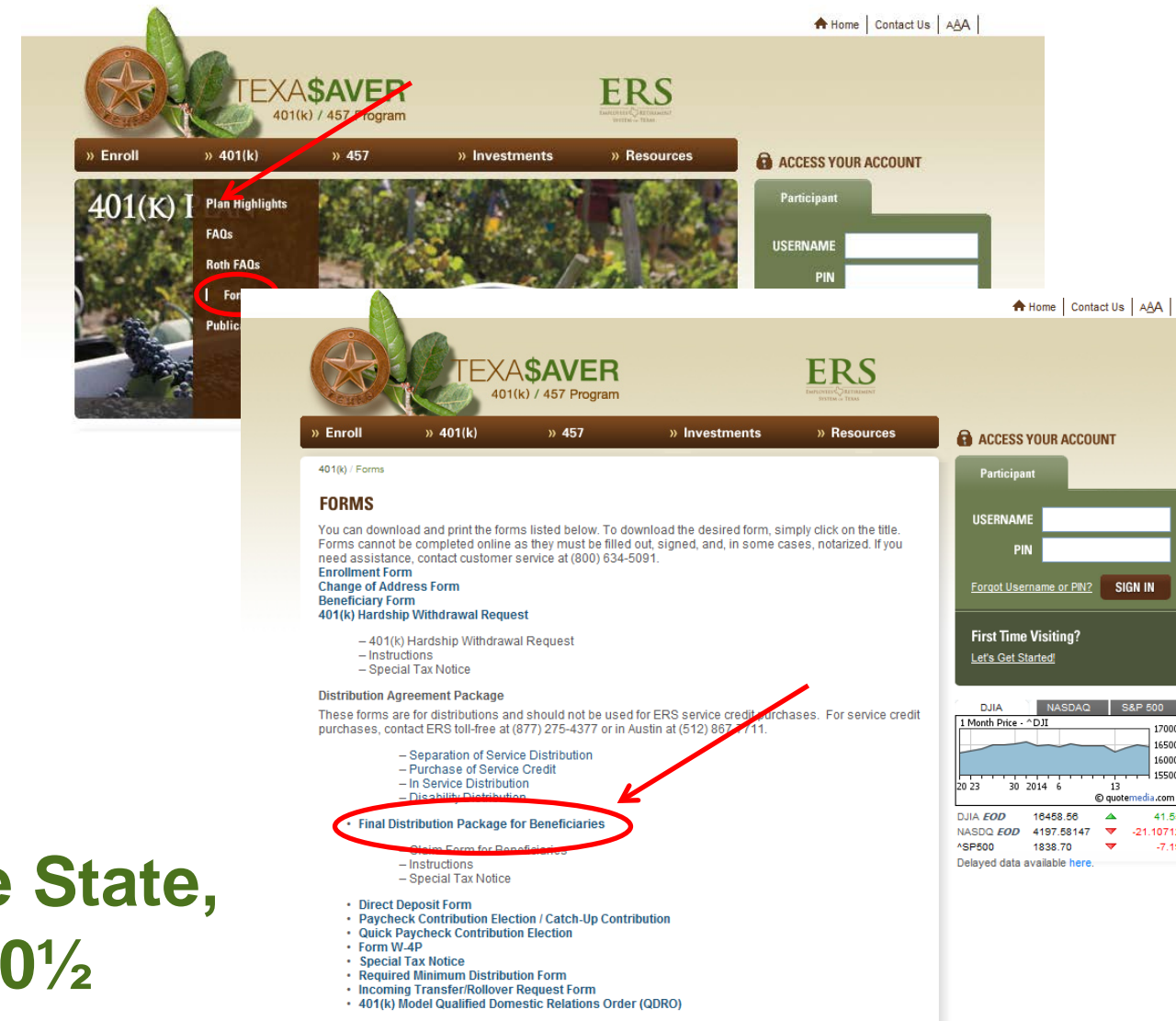
You have several options:

- Periodic Withdrawals²
(monthly and quarterly options available)
- Partial withdrawals
- Lump sum

Unless you are still employed by the State, distributions must be taken at age 70½

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 Withdrawals may be subject to ordinary income tax. A 10% early withdrawal penalty may apply to withdrawals made prior to age 59½. The 10% federal early withdrawal penalty does not apply to the 457 plan withdrawals except for withdrawals attributable to rollovers from another type of plan or account.



FOR ILLUSTRATIVE PURPOSES ONLY.



PHASE TWO: DISTRIBUTION OPTIONS

401(k) PLAN

	401(k) plan
Distributions While Employed for Before-Tax Contributions	You may take a distribution from your 401(k) plan after age 59½ while still employed without a 10% penalty; 20% will be withheld for federal income taxes unless the funds are rolled over to a qualified plan.
Distributions After Separation From Employment for Before-Tax Contributions	You can start taking distributions after separation from state employment. You may roll over funds into other types of employer-sponsored plans, IRAs, or other eligible options. Lump-sum distributions have 20% automatically withheld for federal taxes. Periodic distributions are allowed.
Distributions From Roth Contributions	Roth money may be withdrawn tax-free no earlier than five taxable years after your first Roth contribution AND when you a) reach age 59½, b) become disabled, or c) die. Otherwise, any earnings on Roth contributions may be taxed as ordinary income when you take a distribution.
Tax Penalties	<p>A 10% federal penalty tax may apply to distributions made before age 59½. A 50% federal tax penalty applies if RMDs are not taken at age 70½, unless you are still employed by the State.</p> <p>This applies to both before-tax monies and Roth earnings, if any.</p>



PHASE TWO: DISTRIBUTION OPTIONS

457 PLAN

	457 plan
Distributions While Employed for Before-Tax Contributions	If your 457 plan account has less than \$5,000 and has been inactive for two years, you may take a de minimis distribution; 20% may be withheld for federal income tax purposes. You can take a distribution if you are 70½ and still employed.
Distributions After Separation From Employment for Before-Tax Contributions	You can start taking distributions after separation from state or higher education employment. You may roll over funds into other types of employer-sponsored plans, IRAs, or other eligible options. Lump-sum distributions have 20% automatically withheld for federal taxes. Periodic distributions are allowed.
Distributions From Roth Contributions	Roth money may be withdrawn tax-free no earlier than five taxable years after your first Roth contribution AND when you a) reach age 59½ and separate from service with your employer, b) become disabled, or c) die. Otherwise, any earnings on Roth contributions may be taxed as ordinary income when you take a distribution.
Tax Penalties	<p>No 10% federal penalty tax applies to distributions of 457 money made before age 59½. A 50% federal tax penalty applies if RMDs are not taken at age 70½, unless you are still employed by the State.</p> <p>This applies to both before-tax and Roth money types.</p> <p><i>Withdrawals may be subject to ordinary income tax. The 10% federal early withdrawal penalty does not apply to 457 plan withdrawals except for withdrawals attributable to rollovers from another type of plan or account.</i></p>

QUALIFIED ROTH DISTRIBUTION

- 401(k) qualified distribution
 - Made after five taxable years of Roth participation and is either:
 - Made on or after the date the employee attains age 59½;
 - Made after the employee's death; or
 - Attributable to the employee being disabled.
- 457 qualified distribution
 - Made after five taxable years of Roth participation and is either:
 - Made on or after the date the employee attains age 59½ and has separated from employment;
 - Made after the employee's death; or
 - Attributable to the employee being disabled.

Remember, you must otherwise meet one of the general plan distribution events before you can take a distribution of Roth contributions. The information above discusses when a distribution is "qualified," which determines whether the earnings on your Roth contributions are taxed.

CONTRIBUTIONS

Before-Tax vs. Roth

	Before-tax Traditional	After-tax Roth
Is my contribution taxable in the year I make it?	No	Yes
Is my contribution taxed when distributed?	Yes	No
Are any earnings on my contributions taxed when distributed?	Yes	No, provided the distribution occurs after age 59½, death or disability and at least five years after your first contribution
If I roll over non-Roth money from other accounts into my Texa\$aver account, will I pay taxes?	No	Yes, you will pay the ordinary income taxes on the rollover amount.

KEEPING ACCOUNT INFORMATION CURRENT

Account Beneficiary Designation

- Beneficiary Form (signed and mailed to Texa\$aver)

Account Change of Address

- Active members – Log in to your ERS account at **www.ers.state.tx.us** or call toll-free **(877) 275-4377** to update your home address, email address and phone number.
- Retirees or members no longer employed by the State – visit **www.texasaver.com** or call **(800) 634-5091** to update your **Texa\$aver** contact information. To change your **ERS** contact information, log in to your ERS account online or call toll-free **(877) 275-4377**, for hearing impaired or deaf callers only **7-1-1** or **(800) 735-2989**.

ADDITIONAL RESOURCES

Texa\$aver National Customer Service Center: (800) 634-5091*

- Representatives available Monday-Friday, 8 a.m.-7 p.m. CT
- Automated line available 24/7



Website: www.texasaver.com*

- Available 24/7
- Contains information, tools and resources



* Access to the national customer service center and website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

CLOSE TO RETIREMENT?

Reasons to Still Enroll

For participants who have not been participating in the Texa\$aver Program, if you enroll up to one payroll period before retirement, you may:

- Receive a lump sum for unused vacation,
- Roll over from another outside plan to consolidate your accounts, or
- Be eligible for the Age 50 and Over Catch-up amount of \$6,000 to each plan.
- Enjoy the other benefits of being a participant into your retirement years

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.

HOW TO ENROLL

1. Speak with a Retirement Education Counselor

2. **www.texasaver.com**

3. **(800) 634-5091**

4. Complete an enrollment form

- Found on **www.texasaver.com** or by calling **(800) 634-5091**

- Mail to: Empower Retirement

P.O. Box 173764

Denver, CO 80217-3764

THANK YOU

Questions?

Core securities, when offered, are offered by Texa\$averSM Program through GWFS Equities, Inc.

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