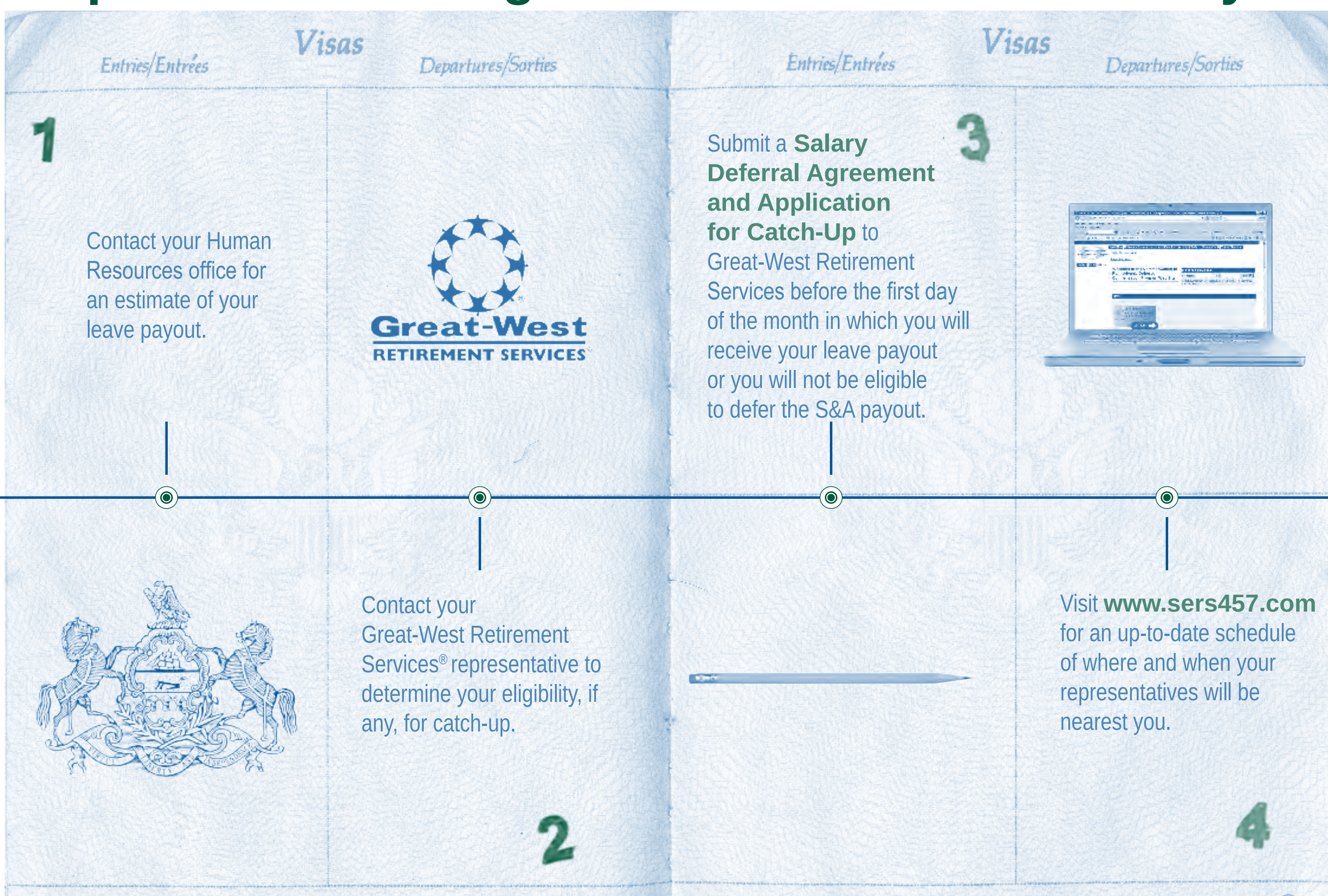
Commonwealth of Pennsylvania
Deferred Compensation Program

The Keystone News

Spring 2009

Passport for Deferring Sick and Annual Leave Payout



What Is Stable Value?

A **Stable Value** fund is a conservative investment vehicle that seeks to provide safety of principal (the amount you invest) and a stable rate of return consistent with that of high-quality intermediate bond funds.

The Pennsylvania Deferred Compensation Program's Stable Value fund is a well-diversified portfolio of high-quality fixed-income securities, managed by Weaver C. Barksdale & Associates. The fund also purchases a stable value agreement from Monumental Life Insurance Company called a wrap. Under this wrap, Monumental Insurance provides a limited guarantee with respect to portfolio investments. The primary objectives of the wrap are to provide individual participants with a stable rate of return in their accounts and the ability to conduct transactions at book value rather than at the market value of the underlying portfolio. These objectives are achieved by smoothing out the day-to-day fluctuations in the value of the fixed income portfolio over time through the application of a fixed rate of interest that resets quarterly (referred to as the crediting rate). However, the wrap is not financial guaranty insurance and, therefore, does not cover impairments in the underlying portfolio.

All investments have risks associated with them. Stable value funds are considered one of the lowest risk investments offered in a deferred compensation retirement plan. As an investor, you should evaluate your risk tolerance to make sure you are comfortable with the level of risk in your Stable Value fund, as well as your other Program investments.

Retiree Corner

Hold on to Your RMDs

Congress suspends required minimum distributions for 2009

A new law may bring some relief to retirees whose savings have deteriorated due to the bear market.

Once you turn age 70½, you are generally required to take a yearly **required minimum distribution** (RMD) from tax-deferred retirement accounts like traditional IRAs, 401(k)s and 403(b)s. You must also take annual RMDs from tax-deferred accounts you've inherited, regardless of your age.

However, a new federal law has suspended this RMD rule for 2009. The reason: Congress wants to avoid forcing people to withdraw money from these accounts in a severe market downturn. Of course, you can still take distributions if you wish to do so. If you receive your annual RMD automatically, consult your account custodian immediately to find out whether the suspension takes place automatically or if you have to establish your preference.

A word of warning: The new suspension applies only to RMDs for the 2009 calendar year. It doesn't affect 2008 RMDs. If you turned age 70½ in 2008, your deadline for taking your 2008 RMD is April 1, 2009—and you must still take it.[1]

For answers to frequently asked questions about RMDs, go to **www.irs.gov**. For information about how to calculate your RMD, see IRS Publication 590.

Unforeseeable Emergency Distributions

The rules in the Internal Revenue Code (the "Code") for an Unforeseeable Emergency distribution for a 457(b) plan are very restrictive and differ from the hardship distribution rules for a 401(k). Under the Hardship Safe Harbor Rules that apply to 401(k) plans, a 401(k) plan can make distributions for hardships such as tuition expenses, down payments for houses, or ordinary medical expenses. Under the Unforeseeable Emergency distribution rules that apply to 457(b) plans, these expenses are foreseeable and, therefore, **cannot** be used as a reason to distribute 457(b) plan assets. A general rule to follow is that the Code restricts distribution of Program money for an event within the control of the employee. If an event can be satisfied by other resources of the participant it will not qualify for a distribution.

Under your SERS 457(b) Deferred Compensation Program, the following items are defined as **Unforeseeable Emergencies** in the Code and may be eligible for a distribution:

- Loss of property due to casualty (unreimbursed by insurance)
- Foreclosure or eviction from primary residence
- Medical expenses not covered by insurance
- Funeral expenses
- Loss of income due to illness or accident

Remember, your SERS 457(b) Deferred Compensation Program is viewed as a long-term retirement supplement and not a liquid savings account. Many financial experts suggest that it is advisable to try and keep three to six months of income in a personal liquid savings account outside of the Program for emergencies.

Have Questions? Need Information?

Web site[2]: www.sers457.com

KeyTalk®[2]: (866) SERS457 (866-737-7457)

(TDD: 800-766-4952)

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