457(b) Deferred Compensation

Overview for Governmental and Public School entities

be ready™

RETIREMENT | INVESTMENTS | INSURANCE

VOYA® FINANCIAL

Retirement experts agree... having the money you want in your later years requires careful planning now.

Plan ahead.

To help you pursue your financial goals, your employer is sponsoring a 457(b) deferred compensation program.

How does the 457(b) deferred compensation plan work?

With a 457(b) deferred compensation plan, you postpone receiving (defer) a portion of your salary. It works like this:

- You decide, within certain Internal Revenue Code (IRC) limits, how much of your income you want to defer.
- Your employer will reduce your paycheck before withholding federal and, if applicable, state income tax by that amount and forward it to Voya® on a regular basis.
- You decide how your contributions are invested, utilizing one or more investment options available in the plan.
- The contributions and any earnings that accumulate over the years are not taxed until you receive them. (Money distributed from the plan will be taxed as ordinary income in the year the money is distributed). That's usually at retirement when you may be in a lower tax bracket.
- Your employer's 457(b) deferred compensation plan has no effect on the benefits you will receive from Social Security. Your Social Security contributions and benefits (if applicable) will be based on your total pay, including the amounts paid into the deferred compensation plan.

Deferred compensation plans are authorized under Section 457 of the Internal Revenue Code. This section permits the tax-favored treatment of contributions for eligible employees of eligible governmental and tax-exempt employers. In order to maintain this tax-favored treatment, legislation requires that plans maintained by government employers hold all assets and income in trust, in custodial accounts, or in annuity contracts for the exclusive benefit of participants and beneficiaries.

Your employer's 457(b) deferred compensation plan offers important benefits.

Tax-deferred contributions and accumulation

By deferring compensation, you have the opportunity to:

- Lower your current federal and, if applicable, state income taxes because you postpone paying taxes on contributions and investment earnings until you withdraw them at retirement – a time when you may be in a lower tax bracket;
- Enjoy the opportunity for tax-deferred compounding of your assets (see examples on the next page); and
- Potentially accumulate more for retirement than you would with an after-tax retirement savings plan, because more of your money has the opportunity to work for you.

To illustrate how contributing toward retirement on a pre-tax basis affects your paycheck, let's assume you earn $30,000 in taxable income annually and you want to defer $75 from each paycheck to a deferred compensation plan. You're paid every other week – 26 times a year.

	Before joining plan	After joining plan
Income after adjustments	$1,154.00	$1,154.00
457(b) contribution	-0.00	-75.00
Net taxable income	1,154.00	1,079.00
Federal income tax (25%)	-288.50	-269.75
Take-home pay	**$865.50**	**$809.25**

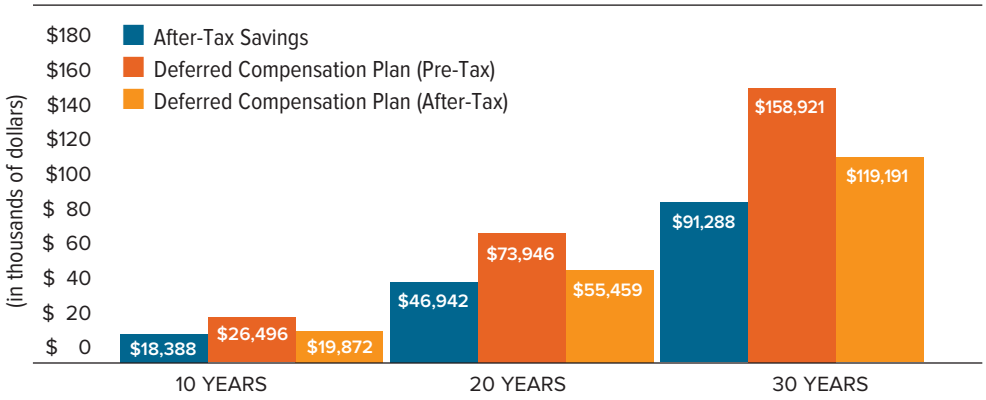
With deferred compensation, your current federal income tax is reduced, so it only costs you $56.25 out-of-pocket to invest $75.00.

The power of long-term savings

Now, compare how the $75 biweekly contributions could accumulate over time when federal income taxes are assumed to be assessed at 25%, and the investments earn an assumed 6.0% annual rate of return. By contributing on a tax-deferred basis and leaving earnings to compound over a long period of time, more value could accrue with deferred compensation than if taxes were paid every year with an after-tax savings plan.

	After-Tax Savings Plan	Deferred Compensation Plan
Biweekly contribution	$75.00	$75.00
Less income tax (25%)	– 18.75	– 0.00
Net biweekly contribution	56.25	75.00
Net yearly contribution	$1,462.50	$1,950.00
After 10 Years		
Total contribution	$14,625	$19,500
Investment earnings at 6.0%	+$5,017	+ 6,996
Less income tax on earnings (25%)	– 1,254	– 0
Total	**$ 18,388**	**$26,496**
After 20 Years		
Total contribution	$29,250	$39,000
Investment earnings at 6.0%	+ 23,590	+ 34,946
Less income tax on earnings (25%)	– 5,898	– 0
Total	**$ 46,942**	**$73,946**
After 30 Years		
Total contribution	$43,875	$58,500
Investment earnings at 6.0%	+ 63,217	+ 100,421
Less income tax on earnings (25%)	– 15,804	– 0
Total	**$91,288**	**$158,921**
After-tax value following a lump-sum distribution	**$91,288**	**$119,191**

This chart does not reflect any record keeping, administrative or contract fees. Had they been reflected, the return of the variable annuity would be lower. Lower maximum tax rates on capital gains and dividends would make the investment return for the taxable investment more favorable, thereby reducing the difference in the performance between the accounts posted above. Consider your personal investment horizon; current and anticipated income bracket when making an investment decision as those may further impact the results of this illustration. Bear in mind that changes in tax rates and tax treatment of investment earnings may impact the comparative results. Income tax is due upon withdrawal of deferred compensation amounts. The returns are hypothetical, are not guaranteed and do not reflect the performance of any specific investment. Systematic investing does not assure a profit and does not protect against loss in declining markets. Investors should consider their financial ability to continue their purchases through periods of low price levels.



Your biweekly contribution amount is important to your retirement accumulations over time. Compare these notable results when we increase the deferred compensation biweekly contribution by $5 and keep all previous assumptions, including the 6.0% annual rate of return, the same.

457(b) Accumulation amount

	$75	$80
Accumulation Years	Accumulated Value	Accumulated Value
1 year	$ 2,010	$ 2,144
10 years	26,496	28,262
20 years	73,946	78,875
30 years	158,921	169,516

This illustration is hypothetical, is not guaranteed, and is not intended to reflect the performance of any specific investment. There is no assurance that increasing contributions will generate investment success. In addition, these figures do not reflect taxes or any fees or charges that may by assessed by the investments. The tax-deferred investment will be subject to taxes upon withdrawal. Systematic investing does not ensure a profit nor guarantee against loss. Investors should consider their financial ability to continue investing consistently in up as well as down markets.

Meaningful contribution limit

Generally, you may defer up to $18,000 for the year 2015 (thereafter adjusted annually), or 100% of includible compensation, whichever is less. (Includible compensation is the amount of compensation of the participant from the employer for the year, and includes deferrals to the employer's 457(b), 403(b), 401(k), SARSEP, SIMPLE, and 125 Cafeteria plans. As with 403(b), 457(b) includible compensation does not include 414(h) pick-ups.) When you attain age 50, or near your plan's normal retirement age, you may be able to defer more of your income under one of the special catch-up provisions.

Your plan allows you to change the amount of compensation you defer as your retirement planning needs change. You may:

- Increase the amount you defer up to the IRC maximum; and
- Reduce, stop, or restart deferrals according to the plan's administrative procedures.

Designated roth contributions

Your employer may choose to permit employees to irrevocably designate some or all of his or her participant contributions under the plan as designated Roth contributions. Unlike pre-tax elective deferral contributions, designated Roth contributions are currently includible in gross income. Designated Roth contributions are treated the same as pre-tax elective contributions for most purposes, including the annual contributions limits. In addition, a 457(b) plan that has a Roth account feature may permit a participant or spousal beneficiary who has a distributable event to directly roll over eligible amounts to the plan's Roth account. A qualified distribution of designated Roth contributions is excludable from gross income. The following criteria must be met to ensure a tax-free qualified distribution: 5-year holding period and the participant has experienced one of these events:

- Attainment of age 59½ (assuming you have separated from service)
- Disability
- Death

Professionally managed investment options

Plan assets are held for you in an account and your employer is responsible for making future payments to you. You can select the investment options to suit your individual needs or objectives. You may be able to:

- Customize your own portfolio to match your individual needs;
- Diversify or spread your contributions over different options, thereby potentially reducing investment risk*; and
- Change the mix of your current contributions and transfer past deposits among the various options.

Dollar cost averaging

This is a system for investing a fixed amount of money at regular intervals over a period of time.

Since the values of investments in the variable investment options and mutual funds go up and down with the financial markets, there is a risk in investing large sums of money all at once. If, for example, you invest a large sum of money when the market is at a "high" and, soon after, the market takes a downturn, you could have a significant loss...and this risk is even more pronounced in a volatile market environment. Dollar cost averaging is a strategy designed to help reduce market timing risk. It means investing smaller amounts of money in the market at regular intervals rather than large amounts all at once. Dollar cost averaging does not insure a profit or guarantee against loss. Investors should consider their financial ability to continue their purchases through periods of low price levels.

For more information on dollar cost averaging, ask your representative.

* While using diversification as part of your investment strategy neither assures nor guarantees better performance and cannot protect against loss in declining markets, it is a well-recognized risk management strategy.

You should consider the investment objectives, risks, and charges and expenses of the variable product and its underlying fund options, or mutual funds offered through a retirement plan, carefully before investing. The prospectuses/prospectus summaries/ information booklets contain this and other information, and can be obtained by contacting your local representative. Please read the information carefully before investing.

Portability

Please Note: This feature is not available to all plans. Please see your plan documents to determine if your plan contains this provision.

A 457(b) deferred compensation plan sponsored by a governmental entity (which would include a public school) is "portable." This means that if you go to work for another employer, you may be able to roll over your account balance to your new employer's eligible retirement plan, such as a governmental 457(b), 403(b), or 401(a)/(k), if the plan permits. Account assets may also be rolled over into a traditional or Roth IRA. You may also, if the plan permits, leave your assets in your former employer's plan. If you do so, your assets will continue to accumulate tax-deferred until the IRC requires that you begin receiving Required Minimum Distributions (RMDs) triggered when you attain age 70½ or retire, whichever comes later.

Plan assets rolled from another plan type into a governmental 457(b) deferred compensation plan would still remain subject to an IRS 10% premature distribution penalty tax if distributed prior to age 59½, unless another exemption applies. Furthermore, any amounts rolled from a governmental 457(b) deferred compensation plan to another plan type (e.g., 401(a)/(k), 403(b), traditional IRA, etc.) would then become subject to the same IRC 10% premature distribution penalty tax if, again, distributed prior to age 59½ unless another exemption applies.

If you choose to take your account balance, the distribution will be taxable in the year you receive the money. However, if your account balance is paid out in a series of payments over a period of time, you will only pay federal income taxes on the amount received each year.

A governmental 457(b) plan may also include provisions allowing for additional access to your account balance. Your account balance may be withdrawn by an alternate payee under a qualified domestic relations order, once your account is divided in accordance with the court order. You may also be able to transfer the account balance from your governmental 457(b) plan directly to a governmental defined benefit plan, for the purchase of service credit under that defined benefit plan. A governmental 457(b) plan may allow a participant to receive a loan from the plan assets. While taking a loan from your retirement plan may not be the best option, it is something for you to consider. A governmental 457(b) plan may also include a provision allowing the in-service distribution of accounts that do not exceed $5,000, if certain conditions are met. In addition, a 457(b) plan must also provide that the account balance be distributed to satisfy RMDs.

Access to your money for a financial emergency

Generally, withdrawals from a 457(b) plan are not allowed unless you retire, attain age 70½, sever employment, or die. However, a withdrawal can generally be made to meet an "unforeseeable emergency" as defined by the IRC, if your employer's 457(b) plan allows. An unforeseeable emergency means a severe financial hardship to you, a beneficiary, or an alternate payee resulting from:

An illness or accident of:

- you, a beneficiary or an alternate payee;
- your spouse or a spouse of a beneficiary or alternate payee;
- your dependent or the dependent of a beneficiary or alternate payee;

Loss of yours, a beneficiary's or an alternate payee's property due to casualty; or Similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of you, a beneficiary or an alternate payee.

In addition, if permitted under a 457(b) plan document, you may be eligible to receive an unforeseeable emergency withdrawal, based on a severe financial hardship resulting from an accident or illness of a primary beneficiary designated by you under the 457(b) plan.

The purchase of an automobile, or except under extraordinary circumstances, the purchase of a home and the payment of college tuition are not considered unforeseeable emergencies.

Transferring benefits to another 457(b) plan

After severance from employment with your current employer sponsoring the 457(b) plan, you may transfer your plan assets to another governmental 457(b) plan, if both your current plan and the plan to which you would like your assets transferred, permit such a transfer.

Payment choices

You can receive your benefits in any one of the following ways, subject to the terms of your employer's plan document. Remember, taxes are due at distribution, so we suggest you discuss your federal and, if applicable, state income tax liability with your accountant or attorney before choosing an option:

- Distribution over your lifetime;
- Distribution over your lifetime and the lifetime of your designated beneficiary;
- Distribution over a set time period not extending beyond your life expectancy;
- Distribution over a set time period not extending beyond the joint and last survivor life expectancy of both you and your designated beneficiary;
- Lump sum, or partial lump sum distribution in combination with one of the other options;

- An estate conservation option that allows you to receive only the minimum amount required by law at either age 70½ or retirement, whichever comes later; and
- A systematic withdrawal option that provides periodic income for either a specific dollar amount or a specified time period at retirement or separation from service.

Please note: Variable annuities and mutual funds offered through a retirement plan are intended as long-term investments designed for retirement purposes. Early withdrawals from a variable annuity may be subject to a deferred sales charge. Money distributed from the plan will be taxed as ordinary income in the year the money is distributed. Investments are not guaranteed and are subject to investment risk including the possible loss of principal. Account values fluctuate with market conditions, and when surrendered the principal may be worth more or less than its original amount invested. An annuity does not provide any additional tax deferral benefit, as tax deferral is provided by the plan. Annuities may be subject to additional fees and expenses to which other tax-qualified funding vehicles may not be subject. However, an annuity does provide other features and benefits, such as lifetime income payments and death benefits, which may be valuable to you.

Death benefits

Upon your death, your designated plan beneficiary will receive benefits according to options/time frames outlined in the plan. If you die before benefits commence and your plan beneficiary is also your spouse, he or she is not required to begin receiving payments any earlier than when you would have reached age 70½.

If you die after benefits have commenced, the balance of your account must be distributed at least as rapidly as under the method in effect at your death.

Personalized, prompt account service

Your local representative, well-trained and experienced in retirement education, is eager to help you:

- Understand retirement concepts;
- Formulate retirement goals with hypothetical computer illustrations; and
- Establish and periodically review your investment objectives.

In addition, our state-of-the-art communication program places information and your account status at your fingertips with these services:

Internet access allows you to make account inquiries and investment transfers, obtain fund unit values, and more. Our website offers an informational, interactive guide to help you consider financial and investment alternatives, while a state-of-the-art security system ensures that you alone have access to your account.

Account statements summarize your investment account activity and reflect your account balance. Your report will specify any changes in value and/or transfers you've made among the investment options. These reports are mailed quarterly; however, for some transactions (such as investment changes), a confirmation statement is sent to you immediately. You can also speak with your representative to find out how to "go green" and receive online statements.

Toll-Free telephone services are available seven days a week, 24 hours a day, for account information and investment option changes.

Newsletters include communications and updates from our technical and investment staffs.

With Voya, you won't get lost in the crowd. You can count on your local representative and our personalized customer services to help you answer any questions you may have regarding your account.

It's easy to get started

To begin participating in the plan, complete the appropriate participation/enrollment materials. This booklet provides only an overview of deferred compensation. Please see your representative on how deferred compensation can help you pursue your financial goals.

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