



Program Features and Highlights

Learn more about your section 457(b) Deferred Compensation Program

What is a section 457 deferred compensation program?

A number of voluntary retirement programs are defined in the Internal Revenue Code (IRC). These include section 457(b) programs, commonly called 457 deferred compensation programs. Deferred compensation programs allow eligible employees to save and invest before-tax and after-tax (Roth) dollars through voluntary paycheck contributions, supplementing any existing retirement/pension benefits. For information on how to enroll in the Wisconsin Deferred Compensation (WDC) Program, call the WDC toll free at (877) 457-WDCP (9327).¹ You may also visit the WDC website, www.wdc457.org, complete an enrollment form, and mail it in.

Who is eligible to participate?

The WDC is a voluntary supplemental retirement savings program for all active state and university employees. Active local government and school district employees may also be eligible if their employer has elected to offer this optional benefit program.

Does participation in the WDC affect my pension or reduce my Wisconsin Retirement System benefits?

No. The WDC is a voluntary supplemental retirement program and does not replace or reduce any of your Wisconsin Retirement System benefits.

Why should I participate?

Having a WDC account may help provide a more comfortable and secure financial future. You receive quality investment options, access to local service representatives, local call center support, financial education services, and planning tools that can help you better prepare for retirement.

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

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). For questions, please contact the WDC office at (877) 457-WDCP (9327).

What are the advantages of before-tax savings?

With tax-deferred savings, you pay no income taxes on any contributions or their potential earnings until you withdraw the money. This leads to the benefit of compounding—that is to say, generating returns on money that you would have paid in taxes if those taxes were not deferred. Your earnings are reinvested in your account, where they have the potential for continued growth because they are not reduced by taxes each year.

What are the advantages of Roth savings?

Roth contributions are made with after-tax dollars. Roth 457 contributions reduce your take-home pay because you pay taxes on them up front, rather than deferring those taxes until you take a distribution. This can be beneficial if you expect to be in a higher tax bracket during retirement than in your working years.

Contribution Amounts

How much can I contribute?

There is no minimum contribution amount required. You can contribute a maximum of 100% of your includible compensation, not to exceed the annual IRS legal limit of \$17,000 in 2012.

Individuals who are age 50 or older during the 2012 calendar year may be able to contribute an additional \$5,500. That amount may be indexed for inflation in \$500 increments in subsequent years. If you are within three years of your normal retirement age², you may be eligible to use the Standard Catch-Up provision that allows you to save up to an additional \$17,000 in 2012. This amounts to a total possible contribution of \$34,000. The amount that you may be able to contribute under the Standard Catch-Up option will depend upon the amounts that you were able to contribute in previous years but did not. Note: The Age 50+ Catch-Up provision and the Standard Catch-Up provision cannot be used in the same calendar year.

How can I increase or decrease my paycheck contribution amount?

You can increase, decrease, start or stop your paycheck contribution amount by calling the WDC toll free at [877\) 457-WDCP \(9327\)](tel:877-457-WDCP) or by accessing your account through the website at www.wdc457.org.¹

Account Management

What are my investment option choices, and how do I know which investments are right for me?

You can choose from the current array of 22 investment options:

- Six lifecycle portfolios
- One stable value option
- One FDIC-insured bank option
- Ten mutual fund options
- Four commingled trust options

In addition to the core investment options, a Self-Directed Brokerage Account (SDBA) is available. The SDBA allows you to select from numerous investment options for additional fees. These securities are not offered through GWFS Equities, Inc. The SDBA is intended for knowledgeable investors who acknowledge and understand the risks associated with the investments contained in the SDBA.

The menu of investments is selected and monitored by the Deferred Compensation Board. The governor-appointed members of the Board ensure that the WDC offers a well-diversified array of high-quality investment opportunities over time. Current investment options are described in the investment option fund overviews. Investment option information is also available through the WDC website at www.wdc457.org and at [877\) 457-WDCP \(9327\)](tel:877-457-WDCP). Both services are available to you 24 hours a day, seven days a week.¹ We recommend you request and review current prospectuses before making investment decisions.

Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information, you may obtain prospectuses for mutual funds and/or disclosure documents from your registered representative. Prospectuses can also be obtained online at www.wdc457.org. For prospectuses related to investments in the SDBA, contact Charles Schwab at (888) 393-7272. Read them carefully before investing.

What if I don't know which investments to choose?

Additional investment information may be found on the WDC *Spectrum of Investment Options* or through the WDC website at www.wdc457.org. Lifecycle funds may be an option to consider because they are based on age and your funds are adjusted based on your risk tolerance and retirement date. The WDC also offers a suite of investment advisory services called Reality Investing[®] Advisory Services (Advisory Services), which is provided through Advised Assets Group, LLC (AAG), a federally registered investment adviser and wholly owned subsidiary of Great-West Life & Annuity Insurance Company. The services include: *Online Investment Guidance*, *Online Investment Advice* and the *Managed Account* service. For more detailed information about these services, please visit the website at www.wdc457.org or call [877\) 457-WDCP \(9327\)](tel:877-457-WDCP). *There is no guarantee that participation in Advisory Services will result in a profit or that your account will outperform a self-managed portfolio.*

How do I keep track of my account?

There are three easy ways to keep track of your WDC account:

1. On paper through your quarterly statement

Great-West Retirement Services[®] will mail you a quarterly account statement showing your account balance and activity for the previous quarter. If you would rather receive your statements electronically and no longer wish to receive a paper statement in the mail, sign up on the website for the Online File Cabinet[®] option. You will receive a separate statement from Charles Schwab that will detail the investment holdings and activity within your SDBA, including any fees and charges imposed in connection with the SDBA.

2. Online via the WDC website

You can review and make changes to your account on the WDC website at www.wdc457.org¹ using your Username and Personal Identification Number³ (PIN). Your account balance is updated daily online.

3. On the telephone via KeyTalk[®]

It's also quick and easy to check your account balance, move money among investment options, and more by calling [877\) 457-WDCP \(9327\)](tel:877-457-WDCP).¹

What if I can't remember my Personal Identification Number (PIN) or if I lose it?

You can order a new PIN online at www.wdc457.org or by calling (877) 457-WDCP (9327).^{1,3} You may also personalize your PIN and Username to make them easier to remember.

Rollovers

Can I combine assets from my other retirement plans into my before-tax WDC account?

Yes. You may now consolidate your retirement accounts (457, 401(k), 403(b) and IRA) into your WDC account. However, all non-457 program assets transferred into the WDC remain subject to an early withdrawal penalty that does not apply to 457 program assets. In addition, 457 Program assets transferred into another program (IRA, 401(k), 403(b), etc.) may become subject to the early withdrawal penalty when distributed from the new non-457 program.

Can I combine assets from my other retirement plans into my Roth WDC account?

Yes. You may transfer a prior employer-sponsored Roth account into the WDC Roth 457(b) account. However, per IRS regulations, you are not allowed to transfer Roth IRAs into your WDC Roth account.

May I transfer or roll over my account balance if I leave public employment?

Yes, although transferring your account balance is not required. You can:

1. Leave your money in the WDC and continue to take advantage of the WDC's diverse selection of investment options, account management tools, and dedicated service representatives.
2. Transfer or roll over your account balance to another eligible governmental section 457 program, if your new employer accepts this type of transfer and/or rollover.
3. Roll over your account balance to a section 401(a), 401(k) or 403(b) program or IRA. Remember that your section 457 assets may be subject to an early withdrawal penalty if distributed from your new plan prior to age 59½.⁴ Also, be aware that some services available in the WDC may not be available in another plan.

Distributions

When can I withdraw the money from my before-tax account?¹

Your money may be withdrawn only when you:

- Retire
- Experience an unforeseeable emergency within the Program guidelines (please visit the website at www.wdc457.org or call (877) 457-WDCP (9327) for additional details)
- Die (your designated beneficiary(ies) will receive your benefits)
- Terminate employment

You are required to take your first required minimum distribution by April 1 of the calendar year following the later of: (1) the calendar year in which you reach 70½, or (2) the calendar year in which you retire from your employer.

When can I withdraw the money from my Roth account tax-free?²

Your Roth distributions are income-tax and penalty-free if you withdraw your Roth contributions and earnings after holding the account for at least five years and:

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

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 reaching the five-year period beginning with your first Roth contribution, you will pay income taxes on any earnings that are distributed.

What are my distribution options?

When you are eligible for a distribution, you may:

- Leave the value of your account in the WDC until a future date.
- Receive periodic payments, a lump sum, or a partial lump sum.
- Roll over or transfer to another eligible plan (but be aware that some services available in the WDC may not be available in another plan).

How much income tax will be withheld from my before-tax distributions?²

Withholding taxes will vary depending on the type of distribution you request. Generally, the mandatory 20% federal income tax withholding will apply to distributions unless you elect a direct rollover of the entire amount or periodic payments that last longer than 10 years, or if the payment is a minimum required distribution. By January 31 of the year(s) following the year(s) in which you receive a distribution, you will receive a 1099-R.

What happens to my money when I die?

Your designated beneficiary(ies) will receive the remaining value of your account, if any. Your beneficiary(ies) should contact the WDC to discuss the available distribution options and apply for a distribution. If no beneficiary designation is on file, beneficiaries will be determined according to standard sequence as defined in Wisconsin statutes and detailed in the WDC Plan and Trust Document.

Does the WDC offer loans?

No, the WDC does not offer loans.

Fees

What administrative fees will I pay?

A monthly fee is deducted from your WDC account to cover the cost of administering the WDC. You will see this fee detailed on your quarterly statement. The current fees are noted in the table below.

| Account Balance | Monthly Fee | Annual Fee |
|-----------------------|-------------|------------|
| \$0 to \$5,000 | \$0 | \$0 |
| \$5,001 to \$25,000 | \$1 | \$12 |
| \$25,001 to \$50,000 | \$2 | \$24 |
| \$50,001 to \$100,000 | \$4 | \$48 |
| \$100,001 and higher | \$5.50 | \$66 |

Are there any other fees I should know about?

Yes, there are investment management fees (also known as expense ratios) that vary by investment option. These fees are deducted by each investment option's management company (not by the WDC) before the daily price or performance is calculated. Expense ratio fees are used to pay for securities trading in the underlying funds and other management expenses. You can find the WDC's investment option expense ratios on the website at www.wdc457.org or in the WDC's annual investment performance report. Funds may impose redemption fees on certain transfers, redemptions or exchanges if assets are held for less than the period stated in the fund's prospectus. Asset allocation funds may be subject to a fund operating expense at the fund level, as well as a prorated fund operating expense for each underlying fund in which they invest. For more information, please refer to the fund's prospectus.

Charles Schwab Personal Choice Retirement Account® (PCRA)—There is no extra fee to participate in the SDBA offered through Charles Schwab PCRA; however, additional transaction fees may apply. For more information on the PCRA option, visit the website

at www.wdc457.org and click on the "Investments" link.

What fees do I pay to participate in Advisory Services?

Online Investment Guidance Tool—If you choose to utilize the Online Investment Guidance tool, there are no fees.

Online Investment Advice Tool—If you choose to utilize the Online Investment Advice tool, the annual fee is \$25. It will be deducted from your account quarterly approximately one week prior to quarter end (\$6.25 per quarter).

Managed Account Service—If you choose to have AAG manage your WDC account for you, the annual fee will be based on your account balance, as shown in the table below, and assessed to your account quarterly.

For example, if your account balance is \$50,000, the annual Managed Account fee will be 0.60% of the account balance, or \$300. If your account balance is \$500,000, the first \$100,000 will be subject to an annual fee of 0.60%; the next \$150,000 will be subject to an annual fee of 0.50%; the next \$150,000 will be subject to an annual fee of 0.40%; and any amounts over \$400,000 will be subject to an annual fee of 0.30%.

Participation in the Managed Account service is voluntary. You may opt out at any time. If you cancel participation in the Managed Account, the fee will be based on your account balance on the date of cancellation and will be deducted within five to seven business days of the cancellation date.

| Participant Account Balance | Annual Managed Account Fee |
|-----------------------------|----------------------------|
| Less than \$100,000 | 0.60% |
| Next \$150,000 | 0.50% |
| Next \$150,000 | 0.40% |
| Greater than \$400,000 | 0.30% |

1 Access to KeyTalk and the 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.

2 Normal retirement age is 65 unless otherwise specified by your employer or unless you are categorized as a protective employee. Please contact your employer's human resources representative if you have any questions regarding normal retirement age.

3 The account owner is responsible for keeping the assigned PIN confidential. Please contact Great-West Retirement Services immediately if you suspect any unauthorized use.

4 Withdrawals are subject to ordinary income tax. A 10% early withdrawal penalty may apply to withdrawals made prior to age 59½. The 10% early withdrawal penalty does not apply to section 457 plan withdrawals.

Core securities, when offered, are offered through GWFS Equities, Inc. and/or other broker dealers. GWFS Equities, Inc. is a wholly owned subsidiary of Great-West Life & Annuity Insurance Company.

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