Enroll today. Enjoy tomorrow.

403(b) and 457(b) Retirement Plans

SAVING : INVESTING : PLANNING

University System of Georgia Benefits
we provide · you decide
Pay yourself first. Contribute automatically by convenient payroll reduction.
Voluntary contribution plans to help you prepare for and live a secure retirement

As an employee of the [ ] you have a special opportunity to prepare for the future. Depending on which institution you work for, you can contribute to a 403(b) plan, a 457(b) plan, or both. You may set aside money through convenient pretax or post-tax (Roth) payroll reduction contributions. Pretax contributions lower your taxable income and may reduce your current income taxes. Qualified distributions of Roth contributions are tax free at time of withdrawal. Either way, your accounts benefit from the opportunity for tax-advantaged growth. See your employer or human resources department to determine whether your institution permits Roth contributions.

This is not your plan document. The administration of each plan is governed by the actual plan document. If discrepancies arise between this brochure and the plan document, the plan document will govern.
Participate in the [403(b) and 457(b) Retirement Plans.]

Your employer’s voluntary contribution plans offer you a unique advantage in preparing for a secure retirement. For example:

> You contribute automatically by convenient payroll reduction

> You may have the option of making traditional pretax and/or Roth (after-tax) contributions

> Contributing pretax dollars will reduce your current taxable income

> Contributing Roth (after-tax) dollars may reduce your income taxes at the time of withdrawal if certain conditions are met

> You decide how to invest your contributions

> On your pretax contributions, you defer taxes on contributions and earnings until withdrawal. Taxes are payable at withdrawal, and federal withdrawal restrictions apply. You might incur a 10% federal early withdrawal penalty if you withdraw funds before age 59½ from your 403(b) account or from amounts rolled over to the 457(b) plan from non-457(b) plans.

Please check the plan highlights inserted in the back pocket or contact your financial advisor to get additional information on the pretax and post-tax contributions.

Enrollment

For the 403(b) plan, simply decide how much you want to save and how you want to invest contributions to your account.

For the 457(b) plan, you generally must enroll before the beginning of the month in which you want to begin contributions, or — if you’re a new employee — on or before the first day of employment.
Your contributions

You can contribute either to the 403(b) Plan or the 457(b) Deferred Compensation Plan or both. Regardless of your election, you are subject to the annual contribution limits detailed below.

<table>
<thead>
<tr>
<th>403(b) Plan</th>
<th>457(b) Deferred Compensation Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Your contributions</strong></td>
<td><strong>Your contributions</strong></td>
</tr>
<tr>
<td>As much as 100% of your annual includible compensation, up to $18,000 in 2015. You can increase or decrease the amount you contribute to the plan as often as your employer allows.</td>
<td>As much as 100% of your annual includible compensation, up to $18,000 in 2015. You can increase or decrease the amount you contribute to the plan as often as your employer allows.</td>
</tr>
<tr>
<td><strong>Catch-up contributions</strong></td>
<td><strong>Catch-up contributions</strong></td>
</tr>
<tr>
<td>You might be eligible to contribute up an additional &gt; $3,000 in 2015 if you have at least 15 years of service with the employer  &gt; $6,000 in 2015 if you are age 50 or older  If you are eligible for both catch-up provisions, you must exhaust the 15-year catch-up first.</td>
<td>You may be eligible to contribute up to an additional &gt; $18,000 in 2015 if you are within the last three taxable years ending the year before you reach normal retirement age (as specified in the plan) and have undercontributed in prior years, or  &gt; $6,000 in 2015 if you are age 50 or older  If you are eligible for both, you cannot combine the two catch-up amounts, but you can contribute up to the higher amount.</td>
</tr>
</tbody>
</table>

Please check with your employer or human resources department to determine whether your institution offers both plans.

Pretax or Roth contributions

You have a choice regarding your elective contributions to your 403(b) plan. Regardless of your election, you are subject to the annual contribution limits detailed previously. You can direct all of your contributions to a traditional pretax account, to a Roth account or to a combination of the two. Contributions to a Roth account are after-tax. Qualified distributions from a Roth account are tax-free. Generally, a qualified Roth distribution is a distribution that (1) is after the end of the five-year period beginning the year the first Roth contribution was made to the plan and (2) is after attainment of age 59½, death or disability.
Your plan was established to encourage long-term savings.

Vesting
Vesting refers to your ownership of money in your retirement plan account. You are always 100% vested in your own contributions, plus rollover contributions, and any earnings they generate.

Account statement
Your retirement plan sends all active participants a comprehensive account statement every calendar quarter. This account statement documents all activity for the preceding period, including total contributions and transfers among investment options.

You can choose to “go paperless” if you wish. Receive secure, paperless, electronic notification when your retirement account statements, transaction confirmations and certain regulatory documents are available online through our secure connection PersonalDeliver®. Managing these items electronically is faster and more secure than paper mail. Simply log in to your account at VALIC.com/usg to sign up for this free service.

Account consolidation
You might be able to transfer your vested retirement account balance from a prior employer’s plan to your current workplace retirement plan. This can be an excellent way to simplify your financial profile and to ensure your overall investments are suitably diversified and consistent with your investment preferences. However, before you make that decision, check to see if the other provider’s contract provides additional benefits or imposes surrender charges.

Withdrawals
Generally, you can withdraw your account balance if any of these events apply:

<table>
<thead>
<tr>
<th>403(b) Plan</th>
<th>457(b) Deferred Compensation Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>&gt; Attainment of age 59½</td>
<td>&gt; Attainment of age 70½</td>
</tr>
<tr>
<td>&gt; Your death</td>
<td>&gt; Severance from employment</td>
</tr>
<tr>
<td>&gt; Your disability</td>
<td>&gt; Unforeseeable emergencies</td>
</tr>
<tr>
<td>&gt; Severance from employment</td>
<td></td>
</tr>
<tr>
<td>&gt; Immediate financial hardship</td>
<td></td>
</tr>
</tbody>
</table>

You must begin taking distributions when you reach age 70½ or retire from the employer sponsoring the plan, whichever occurs later. Remember that income tax is payable at withdrawal, and withdrawals from your 403(b) account prior to age 59½ are subject to federal restrictions and may be subject to a 10% federal early withdrawal penalty. The 10% penalty also applies to the amounts rolled over to the 457(b) plan from non-457(b) eligible retirement plans.

Qualified distributions from a Roth account are tax-free. Generally, a qualified Roth distribution is a distribution that (1) is made after the end of the five-year period beginning with the first year for which a Roth contribution was made to the plan and (2) is after the attainment of age 59½, death, or disability.
With more people approaching retirement, stand out from the crowd

The simple truth is that most people haven’t invested the time or money to build a secure financial future.

**Recent studies show that:**

> 24% of workers say they are not at all confident about having enough money for a comfortable retirement*

> 28% of workers have less than $1,000 in savings, and 57% say their savings and investments total less than $25,000*

> Only 37% of workers are very confident about having enough money to pay basic living expenses in retirement*

**The good news** is that wherever you may be in your working career, you have several sources to access for retirement income, including:

> Pension plans
> 403(b) and 457(b) retirement savings plans
> Social Security
> Savings/investments
> IRAs

Some of these sources offer a built-in safety net for a small portion of the population. For everyone else, options need to be weighed and decisions made.

5

Reasons to save for retirement
We're living longer
Life expectancy has increased dramatically and continues to rise. That means you could spend 20 years or more enjoying retirement.


Retirement lifestyles are changing
People today are reinventing retirement and staying active longer. That takes more money. For example, a worker earning $50,000 at retirement will need to replace 85% of that amount each year to maintain the same standard of living, according to one study.

Source: Aon Consulting, The Real Deal 2012 Retirement Adequacy at Large Companies.

Inflation isn't going away
Inflation diminishes the real annual rate of return on your investment. It also reduces your purchasing power over time. Either way, inflation erodes the value of your money. That means you need a retirement plan that factors inflation into its calculations.

Inflation has averaged around 3% annually for the past 20 years, which may not sound like much, but it can take a big bite. For example, in 40 years you’ll need $130,482 to equal $40,000 today.


Social Security outlook
Social Security was never designed to do more than supplement retirement income.


Rising healthcare expenses
As we age, more of our money is likely to be needed for healthcare and related medical expenses. And according to many studies, the rate of inflation for healthcare is likely to continue for years to come.

Why start today?

Time is money. Every day you delay in starting to save for retirement means less time to benefit from compound interest. And the only way to make up for that lost time is to save more in the time remaining until retirement.

Consider a hypothetical 25-year-old investor who saved $200 a month through pretax salary-reduction contributions to a tax-qualified retirement plan. She saved for five years, then left the money invested. Assuming an 8% annual rate of return on investment, our young investor would have accumulated $200,000 by the time she was 65. And her out-of-pocket cash outlay was just $12,000!

However, a 35-year-old investor in the same plan would have to save at the same rate for 15 years to accumulate $200,000 by age 65, and would have to contribute about $36,000 out of pocket. A 45-year-old contributing the same amount would have to save for 27 years to reach $200,000. His out-of-pocket cash outlay? $64,800. And he wouldn’t reach his goal until age 72! (See chart.)

### Your out-of-pocket cost to accumulate $200,000

<table>
<thead>
<tr>
<th>Age</th>
<th>Out-of-Pocket Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 years</td>
<td>$12,000</td>
</tr>
<tr>
<td>35 years</td>
<td>$36,000</td>
</tr>
<tr>
<td>45 years</td>
<td>$64,800</td>
</tr>
</tbody>
</table>

This chart compares the total out-of-pocket costs required to fund the retirement goals of three tax-qualified plan investors who began contributing $200 a month at different ages. The example assumes an 8% annual rate of return. Tax-qualified plan accumulations are taxed as ordinary income when withdrawn. Federal restrictions and a 10% federal early withdrawal penalty can apply to early withdrawals. This chart is hypothetical, only an example, does not reflect the return of any specific investment and is not a guarantee of future income.

Remember investing involves risk, including the possible loss of principal.

NOTE: $200 in pretax contributions would equal about $267 out of pocket if paid with after-tax dollars assuming a 25% federal marginal tax bracket.
Why enroll in your retirement plan?

Reduce taxable income while you save for retirement

Participating in a tax-deferred retirement plan is an easy way to set aside money for your future. Pretax contributions to the plan are made through a convenient payroll reduction program — before withholding tax is calculated. This reduces your taxable income while you save for retirement.

Taxes on all interest and earnings from your account are deferred until withdrawal, usually at retirement. (Remember that income taxes are payable upon withdrawal, and federal restrictions and tax penalties can apply to early withdrawals, depending on your contract.)

Lower maximum capital gains rates may apply to certain investments in a taxable account (subject to IRS limitations, capital losses may be deducted against capital gains), which would reduce the differences between the changes of the accounts shown in the chart. You should consider your personal investment horizon and current and anticipated income tax brackets when making investment decisions, as they may further affect the results of the comparison.

Control your investments

You decide how to invest all contributions to your retirement account from among the investment options available in your plan.

Your retirement plan offers you access to investment options that cover a broad spectrum of asset categories and classes. This gives you the flexibility to create a diversified investment mix to suit your individual needs and goals. Keep in mind that investments in variable annuities and mutual funds fluctuate in value, so they could, when redeemed, be worth more or less than the original cost. Bear in mind that investing involves risk, including possible loss of principal.

This chart compares the hypothetical results of contributing $100 each month to (1) a taxable account and (2) a tax-qualified retirement account. Bear in mind that a $100 pretax contribution to a tax-qualified account has a current cost of $75 (assuming a 25% income tax bracket) and also reduces current taxable income. Remember investing involves risk, including the possible loss of principal.

The chart assumes an 8% annual rate of return. Fees and charges, if applicable, are not reflected in this example and would reduce the amount shown. Income taxes on tax-deferred accounts are payable upon withdrawal. Federal restrictions and a 10% federal early withdrawal penalty may apply to withdrawals prior to age 59½. This information is hypothetical and only an example. It does not reflect the return of any investment and is not a guarantee of future income.