

## DEFERRED COMPENSATION PLAN

Supplemental Benefit

## DEFERRED COMPENSATION PLAN - SUPPLEMENTAL BENEFIT

# KEYSTONE NEWS

### WINTER 2019 NEWSLETTER IN THIS ISSUE

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## Quarterly statements and newsletters switch to online delivery in 2019

Beginning with the first quarter statement in 2019, your Pennsylvania State Employees' Deferred Compensation Plan statements and newsletters will default to electronic delivery. You will be able to view and download them whenever you want by logging into your deferred comp plan account at [www.SERS.pa.gov](http://www.SERS.pa.gov). You can print a hard copy for your files, if you choose. If you wish to be notified via e-mail when your electronic statement is ready to view, follow these steps:

1. Log in to your account.
2. Click on your name in the upper right-hand corner.
3. Click on the *Communications Preference* button to select your current e-mail address.
4. Click the *Submit* button.

If you do not have an e-mail address on file and want to add one, or need to update it, click on the *Change Contact Information* link on your profile page. Then you can select the statement notification using the steps above. You may choose to continue receiving paper statements. To do so, log in to your account or call **1.800.633.5461** to elect paper delivery. The deferred comp plan's electronic newsletter now includes features like live hyperlinks to more content and searchable text. You can find the newsletter at [www.SERS.pa.gov](http://www.SERS.pa.gov).

With the digital versions of the statements and newsletters, you will also have less paper clogging your mailbox every quarter. Less clutter, easy access, and increased interactivity — what is not to like?

## Before you switch investments, check for these costly fees

Have you been approached by a financial advisor or broker about moving your deferred comp plan account assets? Some may even claim that you can do so at no cost to you. But before you sign on the dotted line, be sure to ask the advisor or broker about 12b-1 fees — and other fees that you may incur from your new investment choices.

According to the Securities and Exchange Commission, 12b-1 fees are “fees paid by a mutual fund out of fund assets to cover distribution expenses and sometimes shareholder service expenses.”<sup>1</sup>

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**1.800.633.5461 | [www.SERS.pa.gov](http://www.SERS.pa.gov)**

Pennsylvania State Employees' Retirement System | 30 North 3rd Street, Suite 150 | Harrisburg PA 17101



## Announcing a new name for the Managed Account service

Over the next several months, the Managed Account service will be changing to My Total Retirement™. The new name is designed to describe how our comprehensive service helps you plan and save to reach your retirement goals.

While the name is changing, the benefits of using this service are not. You will still receive:

- A personalized investment strategy based on your needs and goals.
- Professional management and ongoing review of your account.
- Guidance when you retire to help you get the most out of your savings and maximize your after-tax income.
- Ongoing access to specially trained investment advisor representatives who can:
  - Answer your retirement planning questions
  - Help you personalize your financial profile
  - Customize your retirement planning strategy
  - Update your strategy when your savings, goals, or income sources change

As we transition to the new name, you may see references to the Managed Account service and My Total Retirement on the Pennsylvania State Employees' Deferred Compensation Plan website and in communications. Both names refer to the same service. The change will happen automatically; there is no action required on your part. For more information, call **1.800.633.5461**.

Online Advice and My Total Retirement are part of the Empower Retirement Advisory Services suite of services offered by Advised Assets Group, LLC, a registered investment advisor.

There is no guarantee provided by any party that participation in any of the Advisory Services will result in a profit.

## Before you switch investments (cont.)

The 12b-1 fee is a component of a mutual fund's total expense ratio (fees paid by a fund's shareholders to cover the fund's total annual operating expenses), so it's not always clearly disclosed or easy to find. Also, not all mutual funds charge 12b-1 fees. You may have to read through the fine print of a fund's prospectus to determine whether that fund's expense ratio includes a 12b-1 fee.

Keep in mind that brokers and advisors don't work for free. A 12b-1 fee's distribution expenses can include fees paid to compensate brokers and others who sell fund shares.

All investments come with fees. The important thing is to understand how much you pay in fees and how the fees that a fund charges may affect the return you see from your investment. Also, remember that SERS uses the negotiating leverage of thousands of participants to keep your deferred comp plan fees as low as possible and highly competitive with what you might find on the retail market. Over time, even a small difference in fees can have a big impact on your account and the earning potential of the money you save and invest.

When it comes to fees, the details matter. Be sure to ask the tough questions and to read the fine print regarding fees before you choose your investments.

1 <https://www.sec.gov/fast-answers/answers12b-1feeshtm.html>

The logo for FPO (Financial Planning Organization) is displayed in a large, bold, grey font. The background of the entire page is a scenic view of a city skyline, likely Pittsburgh, with a river in the foreground and snow on the ground.

# New Year, fresh start: Resolve to improve your retirement readiness

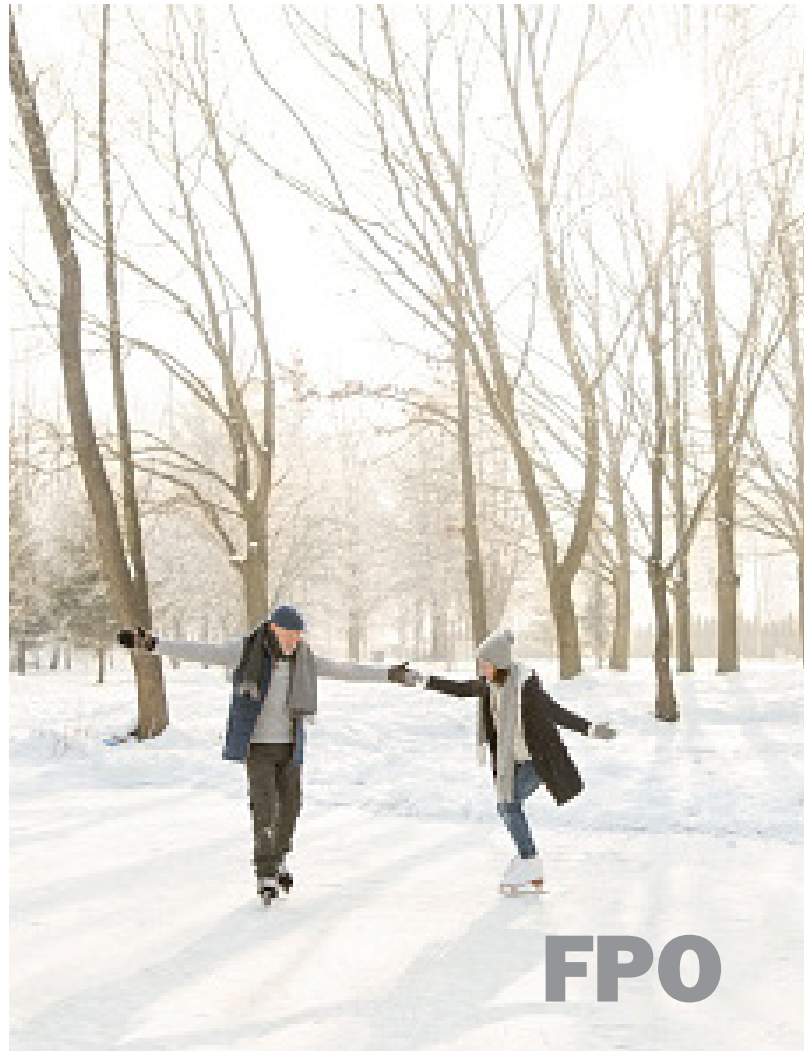
Every January, many of us resolve to make changes to improve our health — whether we decide to cut calories, do more ab crunches, or get more sleep. If self-improvement is on your New Year's resolution list, why not include your retirement finances in your fitness regimen? Here are a few ideas to get you started:

- **Define your goals** – It's difficult to take specific action when you don't have a specific goal in mind. When you have a clear idea of how much retirement income you'll want, you'll understand how much you need to save to get there. One commonly used rule of thumb<sup>1</sup> estimates that we'll need at least 70% of our working income each and every year of retirement. Dedicate some time to thinking through the retirement income level you'd like to achieve.
- **Get to know your retirement plan** – Your deferred comp plan has a lot to offer: automatic saving with each paycheck, compounded growth potential on the money you invest, a wide range of investment options, competitive fees... the list goes on. Take the time to get to know your plan and how it works so you can take full advantage of its benefits in the coming year.
- **Fill the knowledge gaps** – Learn the difference between asset allocation and diversification and why both are important. Find out how small-cap, mid-cap, and large-cap funds are different. Read up on the differences between active and passive fund management. Dive into the topic of fees and how they affect the potential returns from funds. The more you know about investment topics, the better you'll be able to manage your own account in the way that fits your situation and goals.
- **Don't neglect your emergency fund** – How can an emergency fund help your retirement preparations? Having an emergency fund means you have a way to take care of unexpected expenses without borrowing from your retirement account or putting your contributions on hold.
- **Consider consolidating accounts** – By combining eligible accounts from previous jobs with your existing deferred comp plan account, you can apply a consistent investment strategy across all your assets.

You have one account to manage, one website to access, and one statement to review. It can make your life simpler. As with any financial decision, you are encouraged to discuss moving money between accounts, including rollovers, with a financial advisor and to consider costs, risks, investment options, and limitations prior to investing.

- **Create and stick to a budget** – Budgets are about deciding on your priorities. In addition to tracking your current household expenses as part of your budget, be sure to include the money you contribute to your deferred comp plan account in your calculations.

<sup>1</sup> Social Security Office of Retirement and Disability Policy:  
<https://www.ssa.gov/policy/docs/ssb/v68n2/v68n2p1.html>



# Three things to remember as you get ready for tax season

Think back to last year's tax filing season. Remember how you promised yourself you would start your preparations earlier next year so you wouldn't face a last-minute crunch tracking down receipts and forms? Believe it or not, it's already time to make good on that promise. Here are three suggestions for making your own upcoming tax season a little easier.

## 1. Prepare for possibly paying more

A recent report<sup>1</sup> by the Government Accountability Office found that 21% of taxpayers may have under-withheld taxes from their paychecks in 2018 due to the changes in tax law. As a result, they may owe unexpected taxes on their 2018 filing. No one likes surprises at tax time, but knowing ahead of time that you may need to pay instead of receiving a refund can help you lessen the shock and plan accordingly.

## 2. Organize receipts, W-2s, 1099s, and other documentation – and don't forget electronic versions

Look at your documentation from your 2017 return to get an idea of what you'll need for your 2018 filing. Do you have income from multiple employers? Do you have other sources of income such as interest or investment dividends? Do you have the documentation you need to claim deductions such as mortgage interest?

Employers have until January 31 to file W-2s and 1099s, so you may not receive hard copies of those forms until after that date. Don't forget that you may also have online access to electronic versions of forms that you can download and print.

## 3. Get on your expert's calendar early

Do you work with an accountant or tax specialist to complete your return? If you do, don't wait until the last minute to book an appointment. Many tax preparers have fully booked schedules as the filing deadline approaches. Get on their calendar early.

### **Bonus suggestion: Start getting ready for 2019 tax season now!**

If you're finding you wish you had done more last year to get ready for this year's tax season, apply that lesson to your preparations for next year. Early in 2019 is the time to adjust your withholding, if needed, and begin collecting and organizing the receipts and other documentation you may need next year. Devoting a few minutes here and there throughout the year to staying organized can make the filing process smoother for your 2019 return.

<sup>1</sup> GAO Report to Congressional Requesters, July 2018 <https://www.gao.gov/assets/700/693582.pdf>

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