



**DEFERRED  
COMPENSATION  
PLAN**

Supplemental Benefit

## **DEFERRED COMPENSATION PLAN - SUPPLEMENTAL BENEFIT**

# **RETIRING SOON?**

### **About the Pennsylvania State Employees' Deferred Compensation Plan**

If you are retiring soon, there are things you need to take care of in your Pennsylvania State Employees' Deferred Compensation Plan (deferred comp plan) well in advance of your last day on the job.

First of all, it might seem silly to say, but if you plan on retiring and taking advantage of any of the deferred comp plan benefits, you first need to be enrolled. Visit [www.SERS.pa.gov](http://www.SERS.pa.gov) to get started, or contact the local office to get in touch with your Retirement Plan Advisor.

#### **These questions and benefits are important to consider:**

- Do you want to defer sick and annual leave?
- What are you doing with your pension assets?
- Do you know how to withdraw your money?
- Do you have a spend-down plan?
- Do you understand the tax implications of withdrawing funds from your account?
- Do you know what your Social Security income will be? (It changes based on the age at which you begin to take it.)
- Did you know there is no 10% early withdrawal penalty on your 457(b) contributions?
- Did you know you can stay with the deferred comp plan even after you retire and may even be able to roll your other retirement plans into it?
- You are encouraged to discuss rolling money from one account to another with your financial advisor/planner, considering any potential fees and/or limitations of investment options.

# Getting Ready to Retire

There are many important items to consider as you prepare for your retirement. This checklist can help point you in the right direction.

## Deferring sick and annual leave (S&A)

This leave deferral will be processed with your last paycheck, so don't wait until after you have exited the building to start this process.

### HERE'S YOUR TO-DO LIST:

- Contact your Human Resources office for an estimate of your leave payout dollar value.
- Payroll processing differs from employer to employer, and it may take several weeks to process your deferral. Contact Empower Retirement at **1.800.633.5461** to determine your eligibility deadline and figure out if you can make catch-up contributions.
- Submit a Sick and Annual Leave Form to Empower Retirement before the first day of the month in which you will receive your leave payout, or you will not be eligible to defer the S&A payout. To avoid any problems, the earlier this is done, the better!**
- An eligible employee who isn't enrolled in the deferred comp plan but still wants the S&A payout benefit would need to enroll and make one paycheck contribution at least a month in advance. Such requests require additional processing time, and deductions do not start until a month after enrollment.

## Pension assets

- If you elect to receive a lump-sum payment of your pension accumulation, **the total lump-sum amount will be taxed as ordinary income in the year you receive it.**
- The amount of income tax you pay is based on the amount of income you receive. **A lump-sum withdrawal might increase the amount of tax you pay.** Make sure to do the math.
- If you elect to roll your pension accumulation into this deferred comp plan, taxes are not due until you begin to take withdrawals. **The amount of tax you pay might be less if you withdraw your income in smaller portions.**
- If you are turning 55 or older in the year in which you take out your pension accumulations and you roll the money into the deferred comp plan, those monies are not subject to a potential 10% early withdrawal penalty.

## Withdrawing your money after you retire

Think in advance about your needs and follow these steps.

- Call **1.800.633.5461**.
- Request a Distribution Form.
- Fill it out and return it to the address on the form.

### IMPORTANT NOTES:

- Requests are processed only three times a month: on or about the 1st, 10th and 20th. You can find the full distribution schedule at **www.SERS.pa.gov**.
- Withdrawals cannot be processed until Empower receives confirmation of the date of your last day on the job. The list of these dates is sent to Empower approximately three weeks after the retirement date occurs.
- Processing takes up to two weeks.
- Once the distribution process is complete, your funds will be sent to you seven to 10 days after the effective date.

## Spend down the distributions

- It's important to look at your total retirement savings and figure out which assets you plan to withdraw and spend so you can make your savings last as long as possible.
- You have a variety of distribution and payout options, including:
  - Periodic payments.
  - Partial withdrawals.
  - Flexibility to change distribution arrangements.
- A custom spend-down plan can be created just for you if you participate in Empower Retirement Advisory Services offered by Advised Assets Group, LLC (AAG), a registered investment adviser. There is no guarantee that participation in any of the advisory services will result in a profit or that the related account will outperform a self-managed portfolio invested without assistance.
- Retirement income estimates on your statement or online account can give you an idea of what your monthly income in retirement might be.

## Tax implications

- Remember, the amount of income tax you pay is based on the amount of income you receive. If you take all of your money at once, you might be put in a higher tax bracket than if you **spread out the distributions over several years.**

## Social Security

- If you are ready to start taking Social Security benefits, visit [www.ssa.gov](http://www.ssa.gov) to begin the application process.
  - The age at which you choose to begin to receive benefits is highly personal. The amount you receive each month depends on when you start receiving benefits. Social Security calculates the amount you would receive at your full retirement age based on your lifetime earnings.<sup>1</sup>
  - Visit the Social Security website at [www.ssa.gov](http://www.ssa.gov) for valuable information and to view your personal Social Security Statement and Retirement Benefit Estimator.<sup>1</sup>

## No early withdrawal penalty with the 457(b) benefit

- The 10% early withdrawal penalty that applies to 401(k) plans and IRAs does not apply to distributions of 457(b) contributions or any applicable earnings.
- If you plan to retire before you turn 59½, you typically won't have to pay the extra 10% on top of the ordinary taxes you may be paying.

Withdrawals may be subject to ordinary income tax. The 10% federal early withdrawal penalty does not apply to 457(b) plan withdrawals except for withdrawals attributable to rollovers from another type of plan or account.

## Staying with the deferred comp plan

You can keep your money in the deferred comp plan even after you no longer work for the Commonwealth. Why would you want to?

- You might pay less in fees than you would with a private broker. Compare all fees and commissions before making any decisions to move your money.
- You can still use the website and phone numbers, meet with Retirement Plan Advisors, attend meetings and take advantage of any other services that a currently working participant can use.
- You can continue to use Advisory Services for investing help with the total balance of your deferred comp plan account.
- There's no paperwork to transfer among your investment options.
- You can retain your distribution flexibility.
- You can also roll in funds from your other retirement plans and enjoy the convenience and low fees of your deferred comp plan.

**RETIREMENT PLAN ADVISORS ARE AVAILABLE TO WALK YOU THROUGH THE ENTIRE PROCESS. SEE PAGE 4 FOR CONTACT INFORMATION.**

## Who is my Local Retirement Plan Advisor?

Advisors are positioned across Pennsylvania. Visit [www.SERS.pa.gov](http://www.SERS.pa.gov) to access each advisor's phone number, e-mail and schedule.

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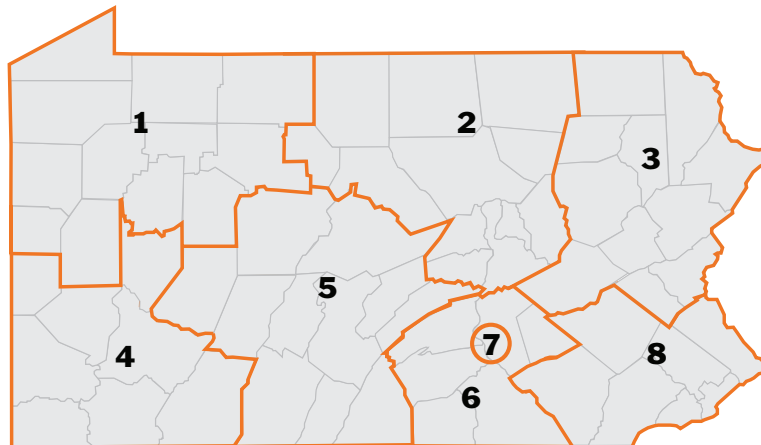
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1 When to Start Receiving Retirement Benefits <https://www.ssa.gov/pubs/EN-05-10147.pdf>, January 2017.

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

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