DEFERRED COMPENSATION PLAN

Supplemental Benefit

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DEFERRED COMPENSATION PLAN NEWS

Ready to roll? Consolidating accounts can help you keep it simple

If you've had jobs with multiple employers, you may still have retirement accounts from those jobs. But are you actively managing those accounts? Do you give those accounts the same care and attention you give your current account? Those accounts are still an important part of your financial picture as they can play a key role in helping you build the income you'll rely on in retirement.

By rolling the assets from those accounts into your current deferred comp plan account (a process known as "consolidation"), you can ensure you're keeping track of all your retirement assets. You'll also eliminate the complexity of dealing with multiple statements, multiple usernames and passwords, and multiple contact centers. In addition to making things simpler to track, the Pennsylvania State Employee's Retirement System works to keep the deferred comp plan fees low and competitive. Lower fees mean more of your money may stay in your account.

What can be rolled (pretax) into your deferred comp plan?

- **Balances from an eligible account** – You may consider rolling over all or a portion of your assets from a governmental 457(b) plan; a 401(k), 403(b), or 401(a) plan; or an individual retirement account (IRA).[1]

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When your retirement account becomes an inheritance

You can spend decades contributing to a retirement account to provide you with the income you'll need in the future. Over time, your contributions and the growth they may generate can really add up. Some people even see their account as an asset they would like to pass on to their loved ones following their death. If you're planning to pass along some or all of the assets in your account to the people you care about (i.e., your beneficiaries), you may want to learn more about how they'll be able to access those assets following your death.

Beneficiaries can take a lump-sum distribution from an inherited account at any time. But, depending on the type of account (pretax or Roth — see next section) and other factors, there may be a sizable tax bill associated with a lump-sum distribution. Other beneficiaries may choose to roll over assets to what's known as an inherited IRA and take regular distributions. Or they may choose to take annual or periodic distributions directly from the inherited account without rolling it over.

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Ready to roll? Consolidating accounts can help you keep it simple (continued)

- **Lump-sum withdrawal from your SERS Defined Benefit Plan** – When you retire, you may roll over the lump-sum withdrawal from your SERS pension. There is no limit to the amount that can be rolled in; it is deposited when your monthly pension payments begin.[3] Keep in mind that taking a lump-sum withdrawal from your pension plan will reduce your monthly pension payments.
- **Sick and annual leave payout** – When you retire, you may receive a payout of your unused sick and annual leave. Leave payouts are eligible for contribution into the deferred comp plan, within annual IRS deferral and catch-up limits. **Review the leave payout process** and reach out to your HR manager to determine your eligibility.

Consolidating your outside accounts into a single qualified retirement plan may save you time and make it easier for you to achieve the future you want. *Consider all your options and their features and fees before moving money between accounts.*

If a rollover makes sense for you, your local plan specialist is here to help. They are available to answer any questions you may have, including which accounts you can consolidate and how to roll outside assets into your plan. **Schedule a meeting** to discuss your options.

When your retirement account becomes an inheritance (continued)

Distributions are subject to certain rules that can vary according to the following factors:

- **The type of beneficiary** – The rules can vary depending on whether the beneficiary is a spouse or partner, or if the beneficiary is a minor child or a disabled or chronically ill individual.
- **The date of the original account holder's death** – Because of the SECURE Act, different rules will apply if the death of the account holder occurred in 2020 or later.
- **The five-year and 10-year rules** – These rules dictate how long a beneficiary has to withdraw assets they inherit from an inherited retirement account or an inherited IRA. Applicable rules depend on whether the original account holder's death occurred before the age when they were required to take distributions. If a beneficiary doesn't withdraw the inherited funds within the designated time frame, they may owe the IRS a penalty.
- **The difference between pretax and Roth accounts** – Distributions from a pretax account are subject to income taxes. Distributions from a Roth account are tax-free if the account is at least five years old at the time of withdrawal.

If you have questions regarding your beneficiaries and their distributions — or if you're a beneficiary and want clarification — **schedule a meeting** with your local plan specialist. You can also find more information on the **IRS website**.

Speaking of beneficiaries, do you know if your beneficiary selections are up to date? If you need to update your selection, now is the perfect time. **Log in to your account** today and make any necessary changes.

1 Funds rolled into a governmental 457 plan from another type of plan or account may be subject to the 10% early withdrawal penalty if taken before age 59½.

2 The Retirement Readiness Review is provided by an Empower representative registered with Empower Financial Services, Inc. and may provide recommendations at no additional cost to participants. There is no guarantee provided by any party that use of the review will result in a profit.

3 There is no 10% early withdrawal penalty on payments as long as you retire the year you turn 55 or older. Some employees may qualify at age 50 or older, e.g., State Police. Please check with your plan specialist if you have any questions.

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