DEFERRED COMPENSATION PLAN

Supplemental Benefit

WINTER 2024

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DEFERRED COMPENSATION PLAN - SUPPLEMENTAL BENEFIT

DEFERRED COMPENSATION PLAN NEWS

Plan enhancements are here

The Pennsylvania State Employees' Retirement Board and the PA Treasury has partnered with Empower, the third-party administrator for the Defined Contribution Plan and the voluntary Deferred Compensation Plan, to streamline the flow of money through both plans.

These enhancements went into effect on January 1, 2025. As a result, you'll benefit from:

A lower recordkeeping fee

The deferred comp plan recordkeeping fee has been reduced to $3.00 per month from $4.55 per month. This change will be reflected in your first-quarter statement issued in mid-April and in your online account. The recordkeeping fee helps pay for the services provided by Empower for administering the plan. This includes costs associated with administering the website you use to check your account balance; the plan specialists you talk to when you have questions about your plan or meet with for investment counseling; and the "back office" staff who update and verify your account activity, handle regular filings in compliance with federal investment service regulations, and manage a number of other tasks.

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SECURE 2.0 Act: Watch for these upcoming changes

In 2022, the SECURE 2.0 Act, or Setting Every Community Up For Retirement Enhancement Act, was signed into law. The legislation overhauled many of the rules governing retirement plans, and those changes could directly impact how you prepare for your retirement. Here's a quick overview of some changes that will soon take effect or are already in place.

Required minimum distributions (RMDs)

Beginning in 2023, the SECURE 2.0 Act raised the age that you must begin taking RMDs to age 73. If you reached age 72 in 2023, the required beginning date for your first RMD for 2024 is April 1, 2025. You can find the specifics on RMDs from the IRS at www.irs.gov.[1]

Qualified disaster-recovery distributions

SECURE 2.0 includes several disaster-relief provisions that can make it easier for a person to use the funds in their retirement account in the event of a "qualified disaster," a disaster declared by the U.S. President and indicated on the Federal Emergency Management Agency website.

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Plan enhancements are here *(continued)*

Please keep in mind that the recordkeeping fee is separate from the fees charged by the managers of the investment options you have selected.

Quicker access to your money
Now, when it's time to access your money, you may be able to access it as quickly as 48 hours after a properly filed withdrawal request is processed, depending on the delivery method you select. **You can request a distribution in your online account** or by calling **1.866.737.7457**.

You have three options for delivery of your money:

- USPS mail – no additional cost with an estimated delivery of seven-10 business days.
- Express mail – non-refundable $50 charge for each type of check (pretax and/or Roth) with an estimated delivery of one to two business days.
- Direct deposit ("ACH") – no additional cost with an estimated delivery of two to three business days.

To add direct deposit/ACH instructions, **sign in to your account**, select *Account*, and click *Overview*. Select *Manage bank accounts* and click *Add bank account*. If you participate in more than one Empower investment plan, you will need to add direct deposit information for each plan. For your protection, there is a 15-day waiting period before you can begin receiving money in a newly entered bank account.

Please note, distributions from your deferred comp plan are subject to ordinary income tax with 20% mandatory withholding except for an in-service transfer to purchase service credit. Depending on your personal tax circumstances, you may be responsible for payment of additional estimated tax, or you may owe additional tax when you file your tax return. If you roll over your deferred comp plan balance to a 401(k), 403(b), or 401(a) plan or to an IRA, any distributions you take from the other account before age 59½ may be subject to a 10% early withdrawal penalty in addition to the ordinary income tax. The 10% early withdrawal penalty does not apply to deferred comp plan withdrawals.

Questions?
Please call **1.866.737.7457**. Representatives are available weekdays between 8 a.m. to 10 p.m. Eastern time and Saturdays between 9 a.m. to 5:30 p.m. Eastern time.

SECURE 2.0 Act: Watch for these upcoming changes *(continued)*

These provisions include:

- Expanded distribution and tax relief – Favorable tax treatment for up to $22,000 of qualified disaster-recovery distributions.
- Relief to repay distributions taken for principal residence purchase/construction – The ability for an individual to repay a first-time homebuyer distribution used to purchase or construct a principal residence in a qualified disaster area.
- Plan loan relief – An increased limit on the amount a qualified individual may borrow from their account.

Terminal illness penalty tax exception

In most cases, a person who takes a distribution from their plan before reaching age 59½ has to pay a 10% penalty. However, the IRS makes an exception for a terminally ill individual whose illness has been certified by a physician. Learn more at www.irs.gov.

Higher catch-up limits for participants age 60 to 63

Beginning January 1, 2025, if you are age 60 to 63, the annual limit for catch-up contributions increases to $10,000 or 150% of the regular annual catch-up limit, whichever is greater.

Catch-up contributions change for high earners in 2026

New rules will continue to come into effect in coming months. For example, starting January 1, 2026, employees who made over $145,000 in FICA compensation the prior year and participate in plans that allow for catch-up contributions must make any catch-up contributions as Roth (after-tax) contributions.

Watch for communications regarding any future changes. If you have any questions about these or other changes related to the SECURE 2.0 Act, contact your local plan specialist.

2025 contribution limits

Contributing as much as you can to your deferred comp plan is a great way to help build up the income you'll rely on after you leave the workplace. But keep in mind that the IRS sets an annual limit for the amount you can contribute. In 2025, the annual contribution limit has increased to $23,500 — or the lesser of 100% of includible compensation. Depending on what career stage you're in, you may have additional opportunities to save with catch-up contributions. Please note that you may only use one catch-up provision per year.

- **Age 50+ catch-up** – If you're age 50 or older, you can contribute an additional $7,500 in catch-up contributions, for a maximum of $31,000.
- **SECURE 2.0 age 60-63 catch-up** – Under this new provision, which is effective for the 2025 tax year, if you turn age 60, 61, 62, or 63 in 2025, you can contribute an additional $11,250 in catch-up contributions, for a maximum of $34,750. The standard IRS limit resumes the year you turn 64.
- **Special catch-up** – If you're within the three calendar years prior to normal retirement age, as defined by your SERS deferred comp plan and/or class of service, you can contribute up to double the annual contribution limit, or $47,000. The amount you may be able to contribute with this option depends on the amounts you were eligible to contribute in previous years but did not. Special catch-up contributions are not permitted in, or after, the year you turn 70½.

Sign in to your account to check your savings progress and review your contribution amount – even a small increase now can become a lot more in retirement.

Get to know your investment options: Target date funds

As you plan and save for your future, your investment strategy plays an important part in helping you reach your retirement goals. Your deferred comp plan offers a wide variety of investment options to choose from, including pre-mixed target date funds.

Target date funds provide a single-fund investment solution based on an investor's anticipated retirement date. Target date funds are:

- Diversified across asset classes and investment styles.
- Automatically rebalanced.
- Adjusted to a more conservative risk level as the fund nears the target retirement date.[2]

The date in the name of a target date fund represents an approximate date when an investor would expect to start withdrawing their money or when an investor expects to retire, usually at age 65. The principal value of the funds is not guaranteed at any time, including at the target date.

Your target date fund options are available in five-year increments, with a post-retirement date fund that is intended to serve participants through their retirement years or drawdown period. To determine your target date, take the year you were born and add it to the age at which you expect to retire or withdraw your money. Choose a target date fund named for your target date, or the one closest to that date. If you were born in 1970, for example, you might choose the target date fund that includes 2035 in its name because 1970 plus 65 equals 2035. If your target date falls halfway between two available funds, consider your risk tolerance when selecting a fund – you might choose the earlier year if you are a more conservative investor or the later year if you are comfortable taking on more risk.

It is important to regularly review your investment strategy. You can view or change how your assets are invested at any time by **signing in to your account** or by calling **1.866.737.7457**. Representatives are available weekdays from 8 a.m. to 10 p.m. Eastern time and Saturdays from 9 a.m. to 5:30 p.m. Eastern time.

Changes to the target date fund lineup

Recently, two changes were made to the target date fund options available in the plan:

- The 2025 Retirement Date Fund reached its final asset allocation and any assets in the fund moved into the Post Retirement Date Fund.
- The 2070 Retirement Date Fund was added to the existing target date fund options, providing a more appropriate target date fund option for younger investors. If you were born in 2001 or later and didn't proactively make an investment election when you enrolled in the plan, your account balance and any future contributions automatically moved to the 2070 Retirement Date Fund.

The deferred comp plan's fund lineup is regularly reviewed and updated so you may continue to choose from a diverse, low-cost array of investment options.

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2 Asset allocation, diversification, or rebalancing does not ensure a profit or protect against loss.

Investing involves risk, including possible loss of principal.