STATE OF ALASKA

# DEFERRED COMPENSATION

*2019 Plan Information Booklet*

DCP
DEFERRED COMPENSATION PLAN

ALASKA DIVISION OF
Retirement
and Benefits

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# State of Alaska Deferred Compensation Plan

## Welcome

Welcome to the State of Alaska Deferred Compensation plan! This handbook provides a brief overview to help you reach retirement readiness in the future. It also provides information for eventual distribution (withdrawal) from the plan. If this booklet differs in any way from the Deferred Compensation plan document, the plan document will rule.

## What is Deferred Compensation?

Deferred compensation is an agreement between you and your employer in which a portion of your earnings or wages for work performed, is held back, or deferred, for payment at a future time.

The plan offers you two ways to set aside income for your future; tax deferred now, with taxes applied at withdrawal, or using the Designated Roth Option where contributions are taxed now and earnings received tax-free at withdrawal. As you save for your retirement in the pre-tax model, you also take advantage of having your pre-tax contributions reduce your current taxable gross income which lowers your taxes. If you are always paying taxes at the end of the year, this may be a solution.

With the Designated Roth Option, a separate account is set up in your 457 account for these post-tax contributions. Distributions from the Designated Roth Option are excluded from gross income at the time for withdrawal under certain conditions. You are cautioned against enrolling if your current monthly income is substantially needed to meet your current monthly expenses. You may want to talk with your tax advisor to help you decide if the plan is right for you.

A deferred compensation program is an attractive savings vehicle for many reasons. Your contributions to the Deferred Compensation plan:

- can be taken before taxes, reducing your taxable income; you may be able to save more than you originally thought.
- can be taken after taxes, making your future earnings non-taxable when you eventually distribute.
- help provide more income for retirement to help with inflation or help increase the number of years your retirement income will last.

# General Information

## The Board

In accordance with AS 37.10.210, the Alaska Retirement Management Board (ARMB) is authorized to select the investment options available to participants. The board is made up of two trustees who are commissioners, and seven other trustees that are appointed by the governor. The trustees must have competence in investment management, finance, banking, economics, accounting, pension administration, or actuarial analysis. The trustees, except the two commissioners, serve four year staggered terms and may be reappointed to the board.
The commissioners serve as long as they are commissioners. The board is comprised of the following trustees:

- The Commissioner of Administration and the Commissioner of Revenue
- Two trustees who are members of the general public
- One trustee who is a finance officer for a political subdivision participating in either PERS or TRS
- Two trustees who are members of the PERS, selected from a list of four nominees submitted by PERS bargaining units
- Two trustees who are members of the TRS, selected from a list of four nominees submitted by teachers' bargaining units

The ARMB is the fiduciary, or the legal entity responsible for the management of your Deferred Compensation plan and is responsible for selecting the investment funds and managers. Investment managers go through a rigorous screening process and are all high-quality firms with significant investment expertise.

Your ARMB trustees have relevant professional experience and a staff of investment professionals to assist them. In addition, the board, consultants, and investment staff continually monitor all investment options and managers to ensure they are achieving their performance targets.

## The Plan Administrator

The Deferred Compensation plan is administered by the Division of Retirement and Benefits. The plan administrator is the Commissioner of the State Department of Administration, who delegates day-to-day administrative duties to the Division Director. The plan administrator is responsible for interpretation of the Internal Revenue Code governing this plan. The plan administrator has sole discretion, authority, and responsibility to interpret the plan document and to determine the options available to the participants and beneficiaries. A decision of the plan administrator is binding.

Decisions of the plan administrator can be appealed to the Office of Administrative Hearings (OAH) where an administrative law judge is assigned to hear the appeal. Final decisions by the administrative law judge can be appealed to the Alaska Superior Court.

## Empower Retirement Services

The State of Alaska has contracted with Empower Retirement Services (Empower), a division of Great-West Financial Services, to provide recordkeeping, financial advice and financial education services for the Deferred Compensation plan. Empower does not provide any investment options in the plan and receives no commissions based on their recommendations.

Empower is responsible for:

- Maintaining the participant's individual accounts and providing account statements at the end of each quarter.
- Providing financial education to Deferred Compensation plan participants. Participants can receive information on the investment options and discuss investment concepts and retirement planning considerations with Empower representatives based in Anchorage. Empower representatives travel to different areas of the state providing informational seminars and one-on-one counseling. To schedule a counseling appointment with an Empower representative, please call (800) 526-0560. Educational seminars are also available on the Empower website at **akdrb.com**.
- Providing investment advice. Investment advice is provided by a wholly owned subsidiary of Empower Retirement Services, Advised Assets Group (AAG). Through AAG you are offered access to three different levels of investment advisory tools and services called Reality Investing℠.
- Providing 24-hour per day, seven days per week access to information and financial education. Service is provided through the Empower website at **akdrb.com** or by telephone through KeyTalk®. Empower offers KeyTalk® as a toll-free, touch-tone telephone service that allows you to access your account seven days a week, 24 hours a day (except between 10 p.m. Saturday and 10 a.m. Sunday, Alaska time.)

# Getting Started

## Who Can Participate?

You are eligible to participate in the Deferred Compensation plan if you are a permanent employee, a long-term nonpermanent employee, an elected official of the State of Alaska, or a full or part-time employee of a participating political subdivision. Eligibility is effective the first day of the month immediately following the completion of a pay period. Employees who perform work in short-term temporary positions are not eligible to participate in the plan.

Participation in the plan is not appropriate for everybody. Among those who should not enroll are:

- Those people who have not yet accumulated regular savings which could be readily withdrawn in event of need. Past experience indicates that if you cannot comfortably afford to defer $50 per month you probably should not join the plan. Contributions to the plan cannot be removed unless an unforeseen financial hardship arises or your employment is terminated.
- Those people who may expect to have more taxable income after retirement than they do now may want to seek advice from a financial planner prior to enrollment.

## Enrolling in the Plan

Enrollment into the plan is available online or by requesting enrollment forms. To enroll online, go to the Empower website **akdrb.com** and follow the easy step-by-step process. To request enrollment forms, please contact Empower Retirement Services at (800) 526-0560.

## Contributions

### *State of Alaska Employees*

Only employee contributions are made to the Deferred Compensation plan. There are no matching employer contributions.

### *Political Subdivision Employees*

Some participating political subdivision employers have elected to make **employer matching contributions** up to a maximum of 6% of employee annual compensation. Employer matching means your employer contributes a certain amount to your Deferred Compensation plan based on the amount of your own standard contribution. The amount of the match will not exceed 6% of your annual compensation. Catch-up contributions, however, are not eligible for the employer match.

Contributions may only be made via deductions from your paycheck. You are 100% vested in your contributions (and Employer Matching Contributions if your employer participates in this option) and any income earned on your investments. Your total contributions can, depending on your investment choices and how the markets perform, also lose value. An increase or decrease to your accounts is called a Change-in-Value. When you terminate employment, you are eligible to be paid the total value of your account balance when you take payment from your account, which includes your contributions and any change in value.

The plan document directs how the plan must operate and requires that State of Alaska Deferred Compensation plan assets are to be held for the exclusive benefit of the participants and beneficiaries. Plan assets are not considered employer assets.

Starting contributions is easy:

1. Decide how much you want to contribute.
2. Choose whether your contributions will be pre-tax or post-tax.
3. Choose your investment options.
4. Enroll online or use the enrollment form.

## Contribution Amounts

The minimum amount you (and your employer if you are eligible for an employer match) can contribute is $50.00 per month ($25.00 per pay check).

The maximum amount you can contribute is established by the Internal Revenue Code. You will want to pay close attention to your annual contribution amount if you are or have been contributing to a deferred compensation plan with another employer. **It is your responsibility to ensure that your total yearly deferral does not exceed the legal maximum amount allowed by law for each plan year.**

Please refer to the Internal Revenue Service notification of annual contribution limit or contact the Division.

The amount of income available for deferral is your gross income less mandatory deductions and Medicare deductions if applicable.

Money that you defer under the pre-tax model comes out of your paycheck as a pre-tax payroll deduction and is then invested in the investment option(s) that you select. If you choose to participate in the Designated Roth Option, the contribution comes out of your paycheck after taxes are deducted on your gross income.

The amount of contributions you make to the plan are up to you as long as you make the minimum contribution and do not exceed the maximum allowed. For specific recommendations, you should consult with Advised Assets Group, Inc. a wholly owned subsidiary of Empower/Great-West Financial Services (the plan record keeper) or a financial planner who can determine the amount of your contribution based on your goals, assets, liabilities and other savings programs you may have. (See "Managing Your Plan" on page 5 for more information about financial advice services provided by the plan.)

## How Will the Deferred Compensation Plan Work for Me?

### *Pre-Tax Model*

One of the advantages of a pre-tax model is that it reduces your tax burden now. As an example of how the plan might work for you, let's assume that a participant of the plan is deferring $3,600 per year ($300 monthly), pays 28% of earnings in income tax, and the deferred compensation account earns 6% per year in interest.

The following is a comparison of the result that could be expected if the participant set aside $3,600 either from taxable income or in the form of pre-tax deferred compensation deductions directly from the participant's paycheck.

| | Example 1 | Example 2 |
|---|---|---|
| | *Taxable Income* | *Pre-Tax Deduction* |
| Amount to be saved | $3,600 | $3,600 |
| Current Income Tax | – 1,008 | – 0 |
| Net dollars saved | $2,592 | $3,600 |
| Interest @ 6% | + 156 | + 216 |
| Current tax on interest | – 44 | – 0 |
| Total at end of year | $2,704 | $3,816 |

Note that the $2,704 is not subject to income tax because tax was already deducted from the amount saved and from the interest earned. But the entire $3,816, assuming it was withdrawn, would be subject to income tax. If your overall income is lower at withdrawal, you would be taxed at a lower rate. However, even if the same rate of tax (28%) was applied, the participant would still have saved more because of the interest earned.

## Designated Roth Option

The plan offers a Designated Roth option that may be advantageous to you. Contributions under the Roth option provide no up-front tax deduction, but distributions in retirement are typically tax-free, having no impact on your taxable retirement income. To withdraw tax-free, you must have contributed to the Roth option for 5 years and be at least 59-1/2 years old.

The Roth option may be beneficial for:

- Younger employees who have a longer retirement timeline and more time to accumulate tax-free earnings.
- Highly compensated individuals who want a pool of tax-free money to draw in retirement.
- Employees who want to leave tax-free money to their heirs.

You can make both pretax and Roth contributions to your plan each pay period. Because the Roth contributions are under the same limits as pre-tax contributions to the plan, the total of pretax and Roth contributions cannot exceed the established annual contribution limit.

## In-Plan Conversion Language

The Deferred Compensation plan allows rollovers to a designated Roth account from another account in the DCP plan (an "in-plan Roth rollover").

## Eligible Funds

Any pre-tax DCP balance, including earnings, can be rolled over to the designated Roth account. The rollover must be direct (not a 60-day rollover) if the amount is not otherwise eligible for distribution.

## Who Can Elect an In-Plan Roth Rollover?

You, your surviving spouse beneficiary, or alternate payee who is a spouse or former spouse can elect an in-plan Roth rollover.

## Your Tax Consequences

An in-plan Roth rollover results in taxable income to you as you are doing a rollover from a pre-tax account to a post-tax account. This will result in the entire amount of the rollover, including earnings, being included in gross income. The amount will be includible in your gross income for the year, so plan for extra taxes for the tax year.

You may want to increase your tax withholding amount or make an estimated tax payment for the period in which the in-plan Roth rollover is completed. The tax due cannot be deducted from your DCP account.

The additional 10% tax penalty does not apply to the amount of an in-plan Roth rollover. However, the distribution may be taxable and subject to the additional early withdrawal tax if you withdraw it from the designated Roth account within five years.

## In-Plan Roth Rollover is Irreversible

An in-plan Roth rollover cannot be reversed after the transfer is made. The rolled over amounts cannot later be returned to the transferring pre-tax account.

## In-Plan Roth Rollovers Treated as a Distribution

A direct rollover to a designated Roth account is generally treated as a distribution followed by a transfer to the Roth account. But:

- Spousal consent is not required
- The rollover is counted in determining whether the accrued benefit exceeds $5,000
- Rights to optional forms of distribution aren't eliminated

### *Tax Withholding on In-Plan Roth Rollovers*

The DCP will not withhold taxes from direct rollovers to designated Roth accounts. You must pay the taxes due from other sources of income.

If you receive your distribution in cash, however, the DCP must withhold 20% federal income tax even if you later roll over your distribution to a designated Roth account within 60 days.

## Unit Value

Your contributions buy units in the funds you elect to participate in. Unit value is the value of each unit you own in the fund. The number of units purchased by your contribution depends on the unit value at the time your contribution was made. Thereafter, the unit value fluctuates depending upon the value of the underlying securities in the fund portfolio. Funds are valued daily.

The unit value is calculated by, taking the net asset value of all underlying securities, then adding any dividend distributions and deducting the investment management expenses. The value of your investment in any variable option on any given day is determined simply by multiplying the number of units you own by the unit value on that particular day.

The plan fund returns are stated on the basis of share prices. Your deferred compensation plan presents returns based on unit value prices. The unit values are unique and not printed in the newspaper. Also, the Money Market Fund does not experience fluctuations in unit value but maintains a constant value.

The plan publishes a sheet with "Historical Average Annual Total Rates of Return" updated monthly on the Empower website. If you have do not have internet access, you can obtain it from an Empower client service representative at the addresses and phone numbers indicated on page 20.

# Managing Your Plan

Each payroll, your elected pay period deferral will be deducted from your check and contributed to the plan. Any time your payroll or your year to date salary is insufficient to support a deferred compensation deduction, the deferral will not be taken until your pay is sufficient to support the deduction.

The first deduction will be taken from the first payroll check that runs after the effective date of your enrollment or as soon as administratively possible. Deductions will continue to be taken from each subsequent payroll check as long as you remain in the plan and have sufficient earnings to accommodate your withholding.

## Choosing Investment Funds

Once you determine how much you can afford to save and whether to save pre-tax, post-tax, or both, you'll need to decide how to invest your contributions so your money will have the potential to grow as much as possible while keeping pace with inflation.

You choose the type of investment options you wish to participate in. Information regarding the investment objectives, fund management and risk level for each investment option are found on Empower's website pages for the Deferred Compensation Plan and are called "Investment Option Detail Sheets". You may also review how the investment options have performed historically by accessing the information online. You have the choice of managing your investment account on your own by using the investment tools provided by the plan, electing to receive financial advice offered by the plan at group rates, or by working with a private financial planner.

## How Do I Get Investment Advice From the Plan?

As a participant in the Alaska Deferred Compensation Plan, you have access to three levels of investment advisory services called Reality Investing. Reality Investing is offered by Advised Assets Group (AAG), a wholly owned subsidiary of

Empower Retirement Services (Empower), the plan record keeper. None of the investment options offered by the plan are owned, managed or sold by either AAG or Empower. These companies provide independent record keeping and advice services and receive no compensation, other than the fees you may pay for the advice option you choose, for their recommendations.

Reality Investing offers you the ability to select a retirement planning strategy based on your comfort level with investing.

## Managed Account Service (Do-It-For-Me)

Managed Account Service is geared toward participants who wish to have a qualified financial expert select among the available investment options and manage their retirement account for them. To receive the most from this service, Managed Account participants may include other investment and savings information they may have from outside of the plan to assist in portfolio development. AAG uses this information to produce an investment strategy for your plan contributions but cannot provide any advice regarding any assets you have outside of the plan.

Participants receive a personalized investment portfolio that reflects the selected plan investment options, retirement time frame, different stages of your life and overall financial picture. Participants also receive progress reports and have an opportunity to update their financial information for more accurate portfolio development.

If you want to leave investing to the professionals, this service is for you. You supply the information about your goals and finances, and AAG will manage your account for you by making adjustments and transactions as required by the goals you have established. This service has an annual fee of 0.45% of your account balance.

## Advice (Help-Me-Do-It)

If you prefer a hands-on approach to managing your account this service provides you recommendations that are personalized based on your own financial information. You receive a model portfolio which you can elect to implement, savings rate advice and income and wealth projections. You are responsible for seeking the advice and making adjustments to your investment account; adjustments are not automatic. This service is free for unlimited advice access from which you can determine whether to take action.

## Guidance (Do-It-Myself)

For those who understand how the market works and prefer to invest on their own, investment information is available to help you make well-educated investment decisions. This service is free.

# Accessing Your Account

You can access your account information by telephone or online.

## Telephone Access Using KeyTalk®

KeyTalk® is a toll free touch tone service that allows you access 7 days a week, 24 hours a day (except between 10 p.m. Saturday and 10 a.m. Sunday, Alaska time) to:

- Obtain your current account balance
- Obtain daily fund values
- Transfer funds from one investment option to another without submitting forms
- Change allocations of future deposits without submitting forms

To access KeyTalk®, call (800) 701-8255. You will need a Personal Identification Number (PIN). This number is assigned to you when your account is first set up. After accessing KeyTalk® for the first time, you can customize your PIN to a number that is easy for you to remember by choosing the appropriate option from the KeyTalk® menu.

If you don't have access to a touch tone phone and want to make changes or obtain any of the information listed above, call the KeyTalk® number above and press "0". You will be transferred to a client service representative. Client service representatives are available to assist you Monday – Friday, 5 a.m. to 5:30 p.m., Alaska time.

If you don't remember your PIN or cannot locate your PIN, please contact a client service representative.

## Internet Access

You can also use the internet to conduct the same transactions and access your account information as you can do through KeyTalk®. You can do this by going to your account at **akdrb.com**. You will need your Empower-issued personal identification number (PIN) to access your account.

# Making Investment Transactions

If you choose to manage your own account, you may transfer all or a portion of your existing account balance among investment options on a daily basis, subject to the completion of prior transfers. There is no charge for transferring funds.

Transfers and reallocations between investment options may occur daily. Amounts transferred must be in whole percentages only, example; 33%, not 33.33%, or an amount in dollars and cents (e.g. $12,345.67).

When transferring funds between investment options, the timing of the transfer is determined by two things:

## Received Date

- Transfer requests, either made through KeyTalk® or the internet, received by Empower at or before 12 noon, Alaska time (or the market close, Alaska time, if earlier) of a business day are considered to be received on that day.
- Transfer requests received after 12 noon, Alaska time or requests received on a non-business day are considered to be received the following business day.

If you make your transfers online you will be prompted to print your confirmation that includes your reference number after the transaction has finished. This is your only confirmation of your transaction.

You can look at "Completed Transfers" for fund transfers or "Allocation" for future contributions any time after the next day to verify the transaction was successful. The web history also contains the same information as the previous written confirmation.

If you are unable to print a confirmation and would like to obtain one, please call an Empower client service representative at (800) 701-8255 or (800) 232-0859.

## Transaction Settlement Time

There are two major types of changes you can make to your account through KeyTalk®:

- Transferring your existing assets among funds, and
- Changing how your future contributions are allocated.

Please make sure you have selected the transaction that accomplishes the changes you would like to make.

When you place a transfer on a business day at or before 12 noon, Alaska Time, you will receive that day's closing "sell" price per unit (Transfer OUT $s) and that day's closing "purchase" price per unit (Transfer IN $s). This applies whether you place the transfer through KeyTalk®, a Empower client service representative, or the Empower website. Your transfer must be completed at or before 12 noon, Alaska time.

The transfer confirmation must take place at or before 12 noon. Transfers that are started at or before 12 noon Alaska time, but are NOT completed at or before 12 noon Alaska time, will be processed the NEXT business day.

It can take up to five minutes or more to complete a transfer. You should not try to time your transfer just before the deadline hoping that it will finish in a minute or two. Phone delays, internet delays, and heavy volume can interfere with completing a transfer. PLEASE take possible delays into account.

You may reallocate your new deferrals to different investment options daily, but only the last one received prior to deposit of contributions will be used.

## Important Note

If you call KeyTalk® to make changes to your account, please stay on the line until you hear your confirmation number. Write this number down and keep it on file for future reference. If you hang up before you hear your confirmation number, your transaction request may or may not (due to phone transmissions or computer delays) have been recorded for processing. Also, you will receive a written confirmation of your transaction in the mail. It is important for you to review this document for accuracy as soon as you receive it.

# Changing Your Deferral

It is important to remember that you can change the amount deferred once each calendar month. A request to increase or decrease the amount of your deferral must be input online or received via KeyTalk® no later than five (5) days from the last day of the month prior to the month in which it is to be effective. You can request your changes either online at the Empower website at **akdrb.com**, through KeyTalk®, or by submitting a written request to Empower using their change form. You also have the option to choose a future effective date for your deferral change. For example, you could choose to increase your deferral effective the month following your final car payment, or to correspond with a salary increase.

You can discontinue your contributions online at any time online or by notifying Empower in writing. After receipt of notice, deductions will no longer be taken from your paycheck. You may elect to have your contributions stopped effective the next pay period, or you may elect a future date to discontinue your deferrals. You may restart contributions effective the first day of the month following receipt of your deferral election.

You can elect to do a one-time deferral of a cash payment of leave (leave cash-in) of a specific dollar amount or number of hours. Please contact the Division of Retirement and Benefits toll-free at (800)821-2251 or in Juneau at (907) 465-4460 for assistance with this request prior to the calendar month in which you expect the payment to be made. This option helps maximize your deferral for the year or to participate in the plan's catch-up provisions. Please see the following section for more information on catch-up.

When you leave state employment, you can have deferred compensation taken from your final paycheck (called a "terminal leave cash-in") if you submit a written request to your employer's DCP contact. State of Alaska employees must contact the Division of Retirement and Benefits toll-free at (800)821-2251 or in Juneau at (907) 465-4460 for assistance with this request (or email **doa.drb.dcp@alaska.gov**). The final check includes the payment for all unpaid wages including payment for unused personal/annual leave. The request must be received (and processed) by your payroll office the month prior to your last day of employment. For example: Your last day of work is April 27th. Your request must be received prior to April 1st. Special rules apply to involuntary termination of employment. Please contact the Division for more information.

# Catch-Up Provision

Two types of catch-up provisions are available for participants to use to defer additional contributions to their account—the Age 50+ Catch-up and the Special Catch-up provisions. Talk with your State of Alaska/Empower representative for more information on the Age 50+ or Special Catch-up.

## Age 50+ Catch-up

The age 50+ Catch-up provision is part of the Section 457(b) of the Internal Revenue Code amended by the Pension Protection Act of 2006. In the tax year in which you turn 50 or older and are actively employed, you can defer an additional amount over the normal deferral limit to your account. Please talk with your State of Alaska/Empower representative in Anchorage, toll-free at (800) 526-0560 for more information on the age 50+ Catch-up.

## Special Catch-up

If you are at least three years from normal retirement eligiblity and would like to defer more money into the plan, you may be interested in the plan's Special Catch-up provision. Your normal retirement date is based on either your age or years of employment service, depending on your retirement tier.

Participation can begin as early as January 1 of the year in which eligibility is met. The designation of a DCP retirement age pertains only to your DCP funds and nothing else. It is important to remember designation of a DCP retirement age is final and cannot be changed.

### *Public Employees' Retirement System (PERS)*

- Age 55 for normal retirement if you first entered the PERS before July 1, 1986 (Tier I); or
- Age 60 for normal retirement if you first entered the PERS on or after July 1, 1986 (Tier II or Tier III).
- Medicare age-eligible (currently age 65) for normal retirement if you first entered the PERS on or after July 1, 2006 (Defined Contribution Retirement Plan); or
- 30 years of paid service (all employees except peace officers/fire fighters); or
- 20 years of paid service (peace officers/fire fighters Tier I, II or III); or
- 25 years of paid service (peace officers/fire fighters Defined Contribution Retirement Plan).

### *Teachers' Retirement System (TRS)*

- Age 55 for normal retirement if you first entered the TRS before July 1, 1990( Tier I); or
- Age 60 for normal retirement if you first entered the TRS on or after July 1, 1990 (Tier II).
- Medicare age-eligible (currently age 65) for normal retirement if you first entered the TRS on or after July 1, 2006 (Defined Contribution Retirement Plan); or
- 20 years of paid service (Tier I or II); or
- 30 years of paid service (Defined Contribution Retirement Plan).

### *Judicial Retirement System (JRS)*

- Age 60 for normal retirement if you have at least five years of membership service.

The special catch-up provision allows you to make up for contributions you could have made during previous years of state employment but did not.

You may contribute under the special catch-up provision for a maximum of three consecutive years. Once you start catch-up, you have the three years to contribute the additional income or this option is lost. If you do not contribute the whole catch-up amount within the three allotted years, you will not be permitted to make up any deficit amount at a later time or with another employer. The catch-up provision may only be used once.

**Remember, if you are a political subdivision employee and eligible for employer matching contributions, catch-up contributions are not eligible for the match.** Please contact the Empower plan representatives in Anchorage toll-free at (800) 526-0560 to enroll in special catch-up.

# Administrative Expenses and Fees

Administrative fees cover the cost of plan administration, record keeping, production and mailing of statements, newsletters and educational material, legal costs, accounting, financial reporting, and all other costs related directly and indirectly to plan operations.

Expenses are charged to your account in order to cover the cost of administration of the plan.

There is an annual record keeping and administrative fee of approximately 1% of your account balance (see fee disclosure sheets on the Empower Retirement Services website at **akdrb.com** for current fees). This fee is charged monthly at 1/12 (one twelfth) the annual rate.

These charges will be assessed to your individual account against all investment options. The fee is calculated on the prior month's ending balance and is assessed in the first week of the month. For example:

- The fees calculated on your March 31st account balance will be assessed in April.
- The fees calculated on your April 30th account balance will be assessed in May.
- The fees calculated on your May 31st account balance will be assessed in June.

The March, April, and May fees will be reflected on your June 30th statement.

There are no front-end loads for investment. This means that there is no commission or sales charge applied at the time of the initial purchase.

In addition to the annual record keeping and administrative fee, some funds have annual investment expenses which vary depending upon the fund you choose. The returns are net of these costs. This means that the balance is the amount remaining after certain adjustments have been made for deductions or expenses.

There currently are no annual fees charged for this plan.

There are no withdrawal fees or IRS penalties for any benefits paid from this plan. All pre-tax funds are subject to federal income tax as they are paid out. Deferred Compensation plan monies can be transferred to another 457(b) plan, an IRA or other qualified plan(s) that accepts them.

The investment management fees associated with each option are available on the Investment Option Year-to-Date Total Returns and Historical Average Annual Total Rates of Return sheets.

Investment management fees are calculated daily and deducted from investment returns during the calculation of the "unit value." A "unit value" is the value of each unit you own in the fund. The number of units purchased by your contribution depends on the unit value at the time your contribution was made. After that the unit value fluctuates depending upon the value of the underlying securities in the fund portfolio. Funds are valued daily. To calculate the unit value, dividend distributions are added and investment fees are deducted from the net asset value of all underlying securities. The value of your investment on any given day is determined by multiplying the number of units you own by the unit value on that particular day.

# Rights of Spouses and Beneficiaries

**Your Beneficiary Designation is IMPORTANT!**

In the event of your death, your account will be paid based on your most recent valid beneficiary designation on file. Empower Retirement Services maintains your beneficiary designations for the plan. Should you have any previous beneficiary designations on file with the Plan Administrator prior to 2009, they will remain in effect if no subsequent designation is filed with Empower. You should update your beneficiaries at **akdrb.com**, or, if you wish to submit a written request, contact Empower at (800) 232-0859 to request a form. Any changes submitted to Empower will replace any prior designations you may have submitted to the plan.

Your beneficiary designation will appear on your quarterly statements and in your online account.

Your beneficiary designation overrides your will. You may want to consult a financial advisor to help you sort out your estate-tax issues, as well as legal, tax and account-distribution issues facing your beneficiaries.

## Death Benefits

If you die prior to receiving benefits, your beneficiary will receive the value of your account. A non-spouse beneficiary may elect any of the available forms of payment, except a joint and survivor annuity, and may defer the pay out of the benefits to a future date. This is subject to certain limitations stated in the plan. If your beneficiary is not your surviving spouse, then your account must be paid in full within five years after your death unless the non-spouse beneficiary chooses a single life annuity pay out.

### *Spouse Beneficiary*

If your beneficiary is your spouse, they can defer payment by not submitting a Distribution/Direct Rollover Request form. Distribution must occur no later than December 31 of the year in which you would have turned age 70-1/2. Spouse beneficiaries may elect any of the available forms of payment, including a joint and survivor annuity.

If you are a surviving spouse or an alternate payee, you may choose to have a payment that can be rolled over, as described above, paid in a direct rollover to an IRA or to an eligible employer plan or paid to you. If you have the payment paid to you, you can keep it or roll it over yourself to an IRA or to an eligible employer plan. You have the same choices as the participant.

### *Non-Spouse Beneficiary*

If your beneficiary is a non-spouse beneficiary, they must receive payment by December 31 of the calendar year containing the fifth anniversary of your death. Non-spouse beneficiaries will have 20% of their payment withheld for federal taxes. To elect a different tax withholding amount they must select a disbursement option that is for ten or more years in duration and complete a W-4P. Non-spouse beneficiaries may avoid the 20% tax by choosing to roll their payment into an "inherited" IRA. Any required state tax withholding will also be taken from the payment.

Additionally, a non-spouse beneficiary can elect that the account be paid as direct rollover to a traditional IRA, which will be treated as an inherited IRA subject to the minimum distribution rules that apply to beneficiaries. Beginning January 1, 2008, you may choose a direct rollover to an inherited Roth IRA. You cannot choose a direct rollover to an eligible employer plan, and you cannot roll over the payment yourself. (See "Leaving Benefits to Minor Children" below.)

If your beneficiary chooses to have the distribution PAID DIRECTLY to them, the mandatory withholding rules apply.

### *Married But Electing Non-Spouse Beneficiary*

All married participants who name someone other than their spouse as the primary beneficiary for more than 50% are also required to complete the Spousal Consent section on the form.

### *Effects of Divorce on Beneficiaries*

Except as required by a Qualified Domestic Relations Order (QDRO), the cancellation of a spousal beneficiary will occur at the time of the participant's divorce or annulment from the designated spouse unless the participant specifically reaffirms the former spouse as a beneficiary by submitting a new beneficiary designation form to Empower after the date of the divorce or annulment.

### *Naming Multiple Beneficiaries*

If you name more than one beneficiary in the primary or contingent beneficiary category, the surviving beneficiaries in that category will share equally unless otherwise indicated. You can change the designated beneficiary by submitting a new beneficiary designation form at any time. If any information is missing, additional information may be required prior to recording the beneficiary designation. If your primary and contingent beneficiaries die before you do or you do not name a beneficiary, the amounts will be paid based on the terms of the plan document.

In general, the rules briefly described above that apply to payments to participants also apply to payments to surviving spouses of participants and to spouses or former spouses who are "alternate payees." You are an alternate payee if your interest in the plan results from a Qualified Domestic Relations Order (QDRO), which is an order issued by a court, usually in connection with a divorce or legal separation.

## No Beneficiary Designation on File

If no valid beneficiary designations exist, your account will be paid based on the plan's default provisions below:

1. Payments shall be made first to the surviving spouse, if the spouse survives the participant for 30 days;
2. If there is no surviving spouse, payments shall be made in equal parts to the surviving children, including adopted children, who survive the participant for 30 days;
3. If there are no surviving children, payments shall be made in equal parts to the surviving parents who survive the participant for 30 days; or
4. If there are no surviving parents, payments shall be made to the participant's estate.

## Leaving Benefits to Minor Children

Payments that exceed $5,000 cannot be paid to a minor child who is the designated beneficiary. If the payment to a minor child exceeds $5,000, the guardian of the minor child must submit proof of a conservatorship to the Division and payment will be made to the conservatorship. If the benefit is less than $5,000, payment will be made to the guardian on behalf of the minor child. Beneficiary payments cannot be paid out directly to a minor child under the age of 18 years.

You may want to consult with an attorney or financial planner on your estate planning.

## Estates

You may list the estate as your beneficiary, including the personal representative, if known. If the estate is a default beneficiary, the personal representative papers can be sent in at the time of the death.

## Trusts

When a trust is named as a beneficiary, you must submit the affidavit of trust, or the first and last pages of the trust, with the beneficiary form naming the trust as the beneficiary.

## Effects of Divorce

If you have a Deferred Compensation account while you are married, all or a portion of your DCP assets may be considered marital property and subject to a division in the event of a divorce. To divide your DCP benefits, you must have a Qualified Domestic Relations Order (QDRO) filed with the plan to effectuate the split. Your account will be divided per the QDRO and a portion of your assets will be placed into a new account for your ex-spouse, also called the alternate payee. The alternate payee may then determine to keep the account in the plan or to request a disbursement of the funds at that time. Future contributions from you will be posted into your original account.

**IMPORTANT:** If you have had a divorce during your participation in the DCP, you will not be able to withdraw your funds until the divorce documents and any required QDRO are on file with the plan. Even if there is no attachment granted to the ex-spouse for a portion of your DCP assets, your divorce documents must be on file to affirm the ex-spouse has no rights before a withdrawal can occur.

Please contact your State of Alaska/Empower representative toll-free at (800) 360-1192, Option 1 for more information regarding QDRO requirements and filing.

# Distribution From the Plan

## Account Withdrawals

Withdrawal of your account is not required until you reach the required minimum distribution age. If you choose to withdraw, funds may be withdrawn at any age in the event of:

- Separation from service (includes retirement)
- Proven unforeseeable emergency (as defined by the Internal Revenue Code)
- Death

If you stop your contributions, you are not eligible to begin taking payment from the plan until you terminate employment. In the event of your death, funds will be available to your beneficiary. Your money remains invested until your account balance is zero.

Withdrawals are made directly to you or your beneficiary or to another qualified plan on your behalf at your directions. There are only four recognized exceptions that would allow your account to be paid directly to another person or agency other than yourself. They are:

- An IRS lien for unpaid taxes
- A Qualified Domestic Relations Order (QDRO) issued by a court of law
- An Order to Withhold and Deliver Property issued by the Child Support Services Division (CSSD)
- Restitution to a victim of a crime

QDROs must be approved and accepted by the plan before your account can be paid to your ex-spouse—the alternate payee. You must arrange with the court to have a certified copy of the court order sent to Empower Retirement Services (Empower). The courts do not automatically send these documents. Payments to an alternate payee under a QDRO may begin after the QDRO has been accepted by the plan and all required payment forms have been submitted. The plan must honor a properly executed IRS lien, QDRO, or CSSD order. If you believe the issuing agency has incorrectly applied an order to your account, you must get the IRS, CSSD, or the courts to issue a corrected order. There are no provisions for early withdrawal—hardship or otherwise—that apply to an IRS lien or CSSD order. Payments under an IRS lien or CSSD order cannot begin until you are eligible to receive payment.

## Things to Consider

When you terminate employment and have an opportunity to withdraw your funds, please consider the following:

- Deferred compensation funds are taxable income as you receive them. You may want to choose a method of payment that spreads your account balance across tax years.

- Consider your future needs before cashing out your deferred compensation nest egg, particularly your future retirement years. Experts say most people will live on retirement benefits longer than they worked to earn them. Using deferred compensation as part of your future retirement income will reduce your risk of outliving your money.
- Deferred compensation plan and management fees are very low compared to the private sector. If you are planning on reinvesting your money, be sure to compare the fees for the services you will receive from a private provider versus the fees you pay for investment advice if you leave your money in the plan.

## Withdrawal Options

The actual dollar amount you will receive depends on such factors as the amount deferred, how your investments performed, the payment option you select and your life expectancy.

When you choose to distribute, your account value may be applied to the payment option(s) you choose. These options include:

- **Lump Sum**
  A single payment of your account balance or a portion of it. (See “Direct Transfer/Rollover” below.)
- **Periodic Payment**
  A payout method that allows you to be paid by either selecting a specific dollar amount or the number of years over which your account will be paid to you, or by selecting IRC Minimum Distribution payments (you must be at least age 70-1/2 for the minimum distribution). You may choose the frequency of your payments as (monthly, quarterly, semi-annually or annually).

You can make changes to the payment frequency or amount, or stop it.

- **Five-Year Period Certain Annuity**
  Equal monthly payments for five years (60 months). If you die before receiving all 60 payments, your beneficiary will receive the remaining benefit payments.
- **Ten-Year Period Certain Annuity**
  Similar to the five-year period certain but for ten years (120 months).
- **Fifteen-Year Period Certain Annuity**
  Similar to the five year period certain but for fifteen years (180 months).
- **Single Life Annuity**
  Monthly payments for your life. No payments are made to your beneficiary after your death.
- **Single Life Annuity with Ten-Year Period Certain**
  Monthly payments for the rest of your life. If you die before 120 payments have been made, your beneficiary will receive the remaining benefit payments.
- **Single Life Annuity with Fifteen-Year Period Certain**
  Monthly payments for the rest of your life. If you die before 180 payments have been made, your beneficiary will receive the remaining benefit payments.
- **50% Joint and Survivor Annuity**
  Monthly payments for your lifetime. After your death, your survivor will receive one half of the monthly amount you were receiving for his/her lifetime. Your survivor does not have to be your spouse.
- **100% Joint and Survivor Annuity**
  Similar to the 50% Joint and Survivor but, after your death, your survivor would receive the same benefit amount you were receiving for his/her lifetime. Your survivor does not have to be your spouse.
- **Partial Distribution**
  You will be allowed to take up to two partial distributions from your account per year.

## Direct Transfer/Rollover

Direct transfers to Roth IRAs will be taxed in the year of the transfer if the rollover comes from pre-tax contributions; however, there will be no income tax withholding taken from the payment. No income tax withholding will be taken if you are rolling contributions from your Designated Roth Option to a Roth IRA. If you are age 70-1/2 or greater at the time of payment, a portion of the payment will have to be paid directly to you in order to satisfy Internal Revenue Service minimum distribution requirements.

## How to Elect a Form of Payment

Payments are authorized 60 days after termination of employment (for any reason) unless you waive the normal 60-day waiting period. If you waive the 60-day waiting period, your account is authorized for payment after the payroll system updates your termination and all contributions have posted. You should allow for a minimum of five business days after payment is authorized before you will receive your distribution.

To begin receiving payment you must meet the requirements stated above. Next, you must submit the Distribution/Direct Rollover Request form to Empower for payment. You should complete all sections of the form that apply to you. Each section serves a specific purpose and helps to determine if all requirements for payment have been met. Payments will not be issued without receipt of the required payment form.

The date of payment depends on when the Distribution/Direct Rollover Request form is received, your termination date, and if the 60-day waiting period has been waived. Assuming the waiting period has been met, payment can be made within five business days of receipt of the completed form by Empower.

If you have been involved in a divorce, dissolution, or legal separation, you must submit proof of these circumstances before you can receive payment of your account. You must provide a court-certified copy of the appropriate divorce, dissolution, or QDRO. Because of the very detailed and specialized nature of this type of situation, you should contact Empower Retirement Services at the earliest possible time so that you know what specific information is required.

You should be aware that making any false or fraudulent statement for the purpose of obtaining benefits or to avoid making payments due to others is a criminal offense punishable by law.

Depending on the payout option you select, you may be required to provide proof of birth date for yourself as well as your designated survivor. A birth certificate or a government-issued ID is considered acceptable forms of proof of birth date.

If you are terminated from employment and not subject to the IRS Required Minimum Distribution rule and do not desire to be paid currently, you do not need to submit a Distribution/Direct Rollover Request form until the time you wish to be paid or reach the required distribution age.

## Tax Withholding

Deferred compensation contributions are considered deferred wages and not retirement contributions, therefore no tax penalties are applied for early withdrawal before age 59-1/2. Payments from the plan of pre-tax contributions are fully taxable for Federal Income tax purposes. Any federal withholding that is taken from your payments is automatically reported to the IRS. You will receive a 1099R tax form in January of the following year after payment is received for tax filing. Payments from the plan of post-tax Designated Roth Option contributions are exempt from taxes if you are at least age 59-1/2 and have held the Roth account for at least five years.

Based on a participant's residence, as indicated by the participant's mailing address, the plan may be required to additionally withhold for state tax. Residency for this purpose is determined by the address you provide on the payment form for payment mailing.

States with such mandatory withholding, at varying rates, include but may not be limited to: California, Delaware, Georgia, Hawaii, Iowa, Kansas, Maine, Massachusetts, North Carolina, Oklahoma, Oregon, Vermont, and Virginia.

## *Mandatory Withholding*

If any portion of your payment is eligible to be rolled over to an IRA and you do not elect to make a DIRECT ROLLOVER, the plan is required by law to withhold 20% of the taxable amount of your pre-tax contributions or ineligible earnings on your Designated Roth Option contributions. Ineligible contributions are contributions to the Roth Option if the Roth Option has not been held for five years and you are not age 59-1/2. This amount is sent to the IRS as federal income tax withholding. For example, if you can roll over a taxable payment of $10,000, only $8,000 will be paid to you because the plan must withhold $2,000 as income tax. However, when you prepare your income tax return for the year, unless you make a rollover within 60 days (see "Sixty-Day Rollover Option" below), you must report the full $10,000 as a taxable payment from the plan. You must report the $2,000 as tax withheld, and it will be credited against any income tax you owe for the year. There will be no income tax withholding if your payments for the year are less than a total of $200.

If the option you select results in your payments lasting less than ten years and are IRA rollover eligible, the plan is required by federal tax laws to withhold 20% federal tax withholding. Periodic payments and monthly annuities lasting ten years and longer are not IRA rollover eligible. For these payments it is necessary to submit the W-4P tax form showing your tax withholding election. For payments lasting ten years or longer, if you do not submit the W-4P the tax withholding will default to married plus three exemptions.

The 20% withholding rule applies only to amounts paid to you. Payments exempt from this rule are:

- Payments that are transferred directly from the plan to another IRA or other qualified employer plan, or
- For a continuing annuity that is at least 10 years in length.

It is important to understand that the 20% withholding is not a penalty or an additional tax. Participants are required to pay income taxes eventually on all distributions and the IRS requires withholding at this level at the time of payment. Your actual tax liability is determined based on the amount of income and expenses you receive during the tax year. You may owe more or less than the 20% withheld at the time of payment. Each participant's tax situation is unique and should be carefully evaluated. You may wish to consult with a tax professional regarding the potential effect of a withdrawal on your tax liability.

An exception to the 20% mandatory withholding rule is for payments made to non-spouse beneficiaries. For non-spouse beneficiaries federal tax withholding is 10% of the payment amount unless the non-spouse beneficiary completes a W-4P to elect no tax withholding or to elect additional tax withholding.

If you transfer your DCP account to an IRA, all of the normal penalty rules applicable to those plans will then apply.

The State of Alaska, the Deferred Compensation plan, and Empower Retirement Services (Empower) do not give tax advice. You are solely responsible for determining how federal tax laws affect your particular situation. You should contact the Internal Revenue Service or your tax advisor as necessary.

A closer look at tax withholding is provided below.

## *Voluntary Withholding*

If any portion of your payment is taxable but is not eligible to be rolled over into an IRA, the mandatory withholding rules do not apply. In this case, you may elect not to have withholding apply to that portion. If you do nothing, an amount will be taken out of this portion of your payment for federal income tax withholding. To elect out of withholding, complete and submit the federal tax form W-4P.

## *Sixty-Day Rollover Option*

If you receive a payment that is rollover eligible, you can still decide to roll over all or part of it to an IRA or to an eligible employer plan that accepts rollovers. If you decide to roll over, you must contribute the amount of the payment you received to an IRA or eligible employer plan within 60 days after you receive the payment. Unless you roll over your pre-tax distribution to a Roth IRA, the portion of your payment that is rolled over will not be taxed until you take it out of the IRA or eligible employer plan. If you roll pre-tax contributions over to a Roth IRA, the distribution will be included in your taxable income for the year in which it was paid to you. No taxes will be due if you roll your Designated Roth Option contributions over to a Roth IRA.

If you want to roll over a pre-tax payment you received to a traditional IRA or eligible employer plan, you can roll over up to 100% of your payment, including an amount equal to the 20% of the taxable portion that was withheld. If you choose to roll over 100%, you must find other money within the 60-day period to contribute to the traditional IRA or the eligible employer plan, to replace the 20% that was withheld. On the other hand, if you roll over only the 80% of the taxable portion that you received, you will be taxed on the 20% that was withheld.

**Example:** The taxable portion of your payment that can be rolled over is $10,000, and you choose to have it paid to you. You will receive $8,000, and $2,000 will be sent to the IRS as income tax withholding. Within 60 days after receiving the $8,000, you may roll over the entire $10,000 to a traditional IRA or an eligible employer plan. To do this, you roll over the $8,000 you received from the plan, and you will have to find $2,000 from other sources (your savings, a loan, etc.). In this case, the entire $10,000 is not taxed until you take it out of the traditional IRA or an eligible employer plan. If you roll over the entire $10,000, when you file your income tax return you may get a refund of part or all of the $2,000 withheld.

If, on the other hand, you roll over only $8,000, the $2,000 you did not roll over is taxed in the year it was withheld. When you file your income tax return, you may get a refund of part of the $2,000 withheld. (However, any refund is likely to be larger if you roll over the entire $10,000.)

The rules described above are complex and contain many conditions and exceptions that are not included in this notice. To obtain additional information on federal (not state or local) tax rules that might apply to your payment, you may want to consult with the Plan Administrator or a professional tax advisor before you take a payment of your benefits from your plan. Also, you can find more specific information on the tax treatment of payments from qualified employer plans in IRS Publication 575, Pension and Annuity Income, and IRS Publication 590, Individual Retirement Arrangements. These publications are available from your local IRS office, on the IRS's website at **irs.gov**, or by calling (800) TAX-FORMS.

## Hardships

As an active employee, the plan does not allow any withdrawals until you are terminated from employment.

But if you experience an unforeseen financial emergency you may be able to receive a hardship withdrawal. There are strict provisions for hardship withdrawals. They can be requested from Empower on the behalf of the Plan Administrator or designee, but you must prove you are experiencing an unforeseen and extreme financial emergency and provide evidence demonstrating that you have exhausted all other reasonable alternatives. This includes stopping your deferrals and cashing out the maximum allowable personal/annual leave.

***All hardship withdrawals are subject to the applicable requirements of the Internal Revenue Code and regulations.***

Payment of an approved hardship withdrawal occurs when all the necessary information is received and generally within five business days after the Plan Administrator's or designee's approval is given.

## Fund Management

Fund management is based on the goals and objectives set for each fund option by the Alaska Retirement Management Board (ARMB). The fund options range from low, medium to high risk to meet participant objectives and risk tolerance. Fund managers work to meet the goals set out by the ARMB.

For more detailed information related to specific funds, please refer to a current Investment Option Detail Sheet. Investment Option Detail Sheets can be obtained through a client service representative at Empower at (800) 232-0859, a client service representative, or on the Empower website at **akdrb.com**.

# Communicating with the Plan

## Confidentiality

Your account balance and any information related to your account is available to you with proper identification. Administrative regulations do not allow the release of information regarding personal or financial data to anyone other than you without your prior written authorization, unless the inquiring party has a subpoena or a court order to secure the information. Information may, however, be released to your employer, your former employer, if they are a plan member, or any authorized state agency.

Your spouse or legal counsel is not entitled to information about your account without a properly executed release or a court subpoena if no release is available.

You can go online to conduct the same transactions you can do through KeyTalk®:

- Obtain your current account balance
- Obtain daily fund values
- Transfer funds from one investment option to another without submitting forms
- Change allocations of future contributions without submitting forms

Contact Empower for the following transactions:

- Starting contributions under the plan
- Changing the total amount of your monthly contributions either increase or decrease
- Stopping your contributions
- Requesting a pay out of your account or making a payment deferral election upon termination
- Changing your beneficiary information
- Changing your address only if you are terminated from employment

You can do all of the above by visiting the Empower website at **akdrb.com**. You can also find additional financial education, planning, and advice online via the Internet.

Contact the Anchorage Empower office for the following services:

- Roth in-plan transfer
- Age 50 catch-up information
- Special catch-up enrollment (within 3 years of retirement eligibility)
- Financial readiness reviews with an Empower counselor

# Services Contacts

## Empower Retirement Services

**Transactions, balance inquiry:** (800) 232-0859 or (800) 526-0560
**Fax:** (866) 745-5766
**Website:** akdrb.com

**Mailing Address:**
Empower Retirement Services
P.O. Box 173764
Denver, CO 80217-3764

**Express Address:**
Empower Retirement Services
8515 E. Orchard Rd.
Greenwood Village, CO 80111

## Anchorage Empower Office

**Toll-free:** (800) 526-0560
**In Anchorage:** (907) 276-1500

## DCP QDRO

**Toll-free:** (800) 360-1192 Option 1

## Division of Retirement and Benefits

*State of Alaska Terminal Leave Cash-In Requests Only*

**Toll-free:** (800) 821-2251
**In Juneau:** (907) 465-4460
**Fax:** (907) 465-3086

**Mailing Address:**
Alaska Deferred Compensation Plan
P.O. Box 110203
Juneau, AK 99811-0203

## Alaska Retirement Management Board

*Investment Options, Performance*

**Phone Number:** (907) 465-3749

**Mailing Address:**
ARMB
Alaska Department of Revenue
Treasury Division
P.O. Box 110400
Juneau, AK 99811-0400

# Moving

If you are an active contributing employee of the State or a participating employer, you must change your address through your employer's payroll office. If you are no longer employed with the State or participating employer, you must contact Empower directly to update your mailing address.

# Conclusion

This publication is also available in alternative communication formats upon request. To make necessary arrangements, contact the Member Services Contact Center at the Division of Retirement and Benefits toll-free at (800) 821-2251, in Juneau at (907) 465-4460, or TDD for the hearing impaired at (907) 465-2805.

This plan summary is not intended to interpret, extend, or change the statutes and regulations that comprise the plan document in any way. It merely summarizes it for you. The plan document will govern in the event of any discrepancy between the plan summary and the provisions of the plan. You may view the plan document on the Empower website at **akdrb.com** or request a hard copy from the Division of Retirement and Benefits.

The plan document is defined as an eligible deferred compensation plan under Internal Revenue Code (IRC) Section 457. You can view the IRC at **IRS.gov**.

Copies of the plan document are available on the Division of Retirement and Benefits' website at **alaska.gov/drb**. If you do not have internet access, please contact the Division. Investment information can be found online at the Empower website or by calling Empower Retirement Services toll-free at (800) 232-0859.

# Glossary

## Account
An investment account within the Trust Fund, established for each Plan Participant, Beneficiary, or Alternate Payee for the purposes of allocation of Employee contributions and the investment and reporting of the Participant's benefit under the plan.

## Act
Chapter 45 of Title 39 of the Alaska Statutes, as now in force or hereafter amended.

## Actuarial Equivalent
Benefits of equal value to the aggregate amounts expected to be received under different forms of payment, based upon annuity purchase rates established by the Administrator at the time the benefit is to be determined.

## Alternate Payee
The spouse, child, or other dependent of a Participant for whom an amount has been separated into an account under a domestic relations order described in Article VIII.G.

## Annual Deferral
The amount of compensation deferred in any taxable year as a pre-tax deferral, Roth contribution, or both.

## Beneficiary
The person or persons entitled under the provisions of this plan to receive benefits after the death of a Participant.

## Compensation
The total remuneration earned by an Employee for personal services rendered, including cost-of-living differentials, as reported on the Employee's Federal Income Tax Withholding Statement (Form W-2) from the Employer for the calendar year, plus the wage reduction amount contributed to the plan.

Notwithstanding the above, compensation shall also include any amount which is contributed by the Employer pursuant to a salary reduction agreement and which is not includible in the gross income of the Employee under sections 125, 132(f)(4), 401(a), 402(e)(3), 402(h)(1)(B) or 403(b) of the Code.

## Deferred Compensation
All compensation which is deferred by payroll deduction in accordance with the provisions of this plan.

## Designated Roth Option
A designated Roth account is a separate account in the 457(b) plan that holds designated Roth contributions. Designated Roth contributions are elective deferrals that the participant elects to include in gross income. Qualified distributions from a designated Roth option are excluded from gross income when the participant is age 59-1/2 or older and has held the Roth account for at least five years.

## Employee
(1) any person (and only such person), including an officer, who is employed by the Employer and whom the Employer determines in the exercise of its sole discretion to be a common law employee who is rendering personal services to the Employer on a permanent employment basis, where the term permanent employment shall exclude short-term non-permanent (but include long-term non-permanent), and also exclude temporary, casual, emergency, intermittent or poverty employment; (2) any person elected or appointed to a term of office with the Employer; and (3) any person who performs services in the capacity of an independent contractor as a member of a board or commission of the State of Alaska.

# Glossary

## Employer
The State of Alaska, a participating political subdivision, or public organization.

## Employer Matching Contribution
A political subdivision or public organization of the state of Alaska who has contracted to participate in the plan may elect to make matching contributions up to 6% of the employee's compensation to the employee contribution account. Employee catch-up contributions under Article III.C.2 of the Deferred Compensation plan document shall not be eligible for Employer Matching Contributions. Employer Matching Contributions are not compensation and shall not be included as compensation for any purpose under the Public Employees' Retirement System, Teachers' Retirement System, or Judicial Retirement system. Employer Matching Contributions are tax-deferred, and the total of employee and employer contributions cannot exceed the maximum amount allowable under Internal Revenue Code section 457(b)(2).

## Includible Compensation
Compensation for services performed for the Employer as defined in Code section 457(e)(5).

## Internal Revenue Code or Code
The Internal Revenue Code of 1986, as amended from time to time.

## Investment Provider
A corporation or individual selected to provide a particular investment vehicle to the Trust Fund through which a Participant, Beneficiary, or Alternate Payee, by exercising his or her control, is permitted to direct the Trustee or Trustees to purchase investments on his or her behalf.

## Investment Funds
Those separate funds which are provided within and which comprise the Trust Fund, and are established for the purpose of directing investments through the exercise of the sole control of a Participant, Beneficiary or Alternate Payee under the terms of the Plan and Trust Agreement.

## Normal Retirement Age
Age 70 before March 1, 2006, and 70-1/2 on or after March 1, 2006, unless the Participant makes a one-time written election to reduce normal retirement age. This election is irrevocable. Such election will be valid only if the Participant would have the required number of years of service for normal retirement age under AS 39.35.370. Any Participant who has at any time used the catch-up provisions of Article III, Paragraph C, Subparagraph 2 may not subsequently change his retirement age.

A Participant who continues in the employ of the Employer after reaching Normal Retirement Age shall continue to participate in the plan and may have contributions allocated to his or her Account.

## Participant
Any Employee or former Employee who retains a right to benefits under the plan.

## Plan
The "State of Alaska Deferred Compensation plan" issued May 31, 1974, amended January 17, 1980, October 1, 1981, October 1, 1982, October 28, 1982, December 31, 1983, May 1, 1986, November 1, 1993, November 15, 1994, April 1, 1995, January 1, 1997, July 1, 1998, January 1, 2002, April 1, 2003, March 1, 2006, February 2, 2010 and includes any future amendments.

# Glossary

### Plan Administrator or Administrator
The Commissioner of Administration, State of Alaska, or the Commissioner's designee. The Plan Administrator shall be responsible for the administration and interpretation of the plan and shall establish and carry out a funding policy consistent with the purposes of the plan.

### Record Keeper
An operating entity selected by the Plan Administrator to provide administrative services on behalf of the plan.

### Termination of Employment
The termination of the Employee's employment with the Employer for any reason, or the expiration of the term of office of an elected or appointed Employee.

### Trustee(s)
That corporation and/or individuals who are designated by the Commissioner of Administration of the State of Alaska as a Trustee or Trustees of the Alaska Deferred Compensation plan Trust.

### Trust Fund
All cash, securities, real estate, and any other property, together with income thereon, of this plan held by the Trustee pursuant to the terms of the State of Alaska Deferred Compensation plan Trust Agreement entered into between the State of Alaska and the Commissioner of the Department of Revenue, as the designated Trustee, as such agreement may subsequently be amended from time to time.

## STATE OF ALASKA

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