

State of Alaska  
Division of Retirement & Benefits

# Deferred Compensation Plan



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## Deferred Compensation Overview

- State of Alaska employees and participating Political Subdivisions
- Eligible governmental deferred compensation plan under Internal Revenue code (IRC) Section 457(b)
- Employee contributions only
- Administered by the Alaska Division of Retirement & Benefits
- Empower Retirement is the contract record-keeper and payer



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## Getting Started

- Eligible to participate the first of month after enrollment
- Regular and Long-term nonpermanent employees
- Can defer up to 100% of net pay, pre-tax or/and post-tax
  - subject to annual maximum
- Enrollment available on-line akdrb.com



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### Roth 457 Option – Effective July 1, 2015

- Roth is a *post-tax* deferral option
- May allocate deferral on both pre-tax and post-tax at the same time
- Same annual maximums joint with pre-tax option
- Not taxed when taken as distribution if;
  - Account held for 5 years; and
  - Age 59 ½; or you become disabled; or
  - At Participant's Death (beneficiaries take withdrawal)



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### Deferrals

- Minimum \$25 per pay period
- Subject to IRS annual maximum contribution limit
- Age 50 and older: additional contributions allowed by IRS
- Limits are based on current tax year



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### Deferral Changes

- Increase, decrease, discontinue or reinstate contributions
- Changes effective first of month
- Set up future date changes
- Schedule annual increases



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**Catch-up Program**

- Make up for contributions not previously made during state employment
- Start as early as three years prior to normal retirement (age or service)
- Utilize over three consecutive years
- Contact Empower Retirement (Anchorage)  
 (907) 276-1500 / Direct    (800) 526-0560 / Toll Free



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**Leave Cash-in Contributions**

- Cash in leave hours
  - Assists with maximizing annual deferrals
  - Reduces tax liability when terminating employment
- Contact Member Services Contact Center:  
 8:30am - 4pm Monday - Thursday & 8:30am - 3pm Friday  
 (907) 465-4460    (800) 821-2251  
[doa.drb.dcp@alaska.gov](mailto:doa.drb.dcp@alaska.gov)



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**DCP Contributions from Final Check**

- Request must be received by Retirement & Benefits the month **prior** to your **last day of employment**
- Subject to annual maximums
- May defer terminal leave payout including unpaid wages
- Must request in writing to Retirement Customer Service Center
- Deferral must occur in year worked



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### Hardship Provision for Active Employees

- Filed with Empower Retirement
- Must be an extreme financial emergency
  - Sudden and unexpected
  - Loss of property due to event beyond control of participant
  - Illness/accident to participant or dependent
- Strict provisions
- Subject to applicable IRC code
- Contact Empower Retirement for application



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### Account Information

- Account balance and activity included on statements from Empower Retirement
- General information including Quarterly (investment performance) Reports, available on-line
- For specific account information contact Empower Retirement:



Online - [akdrb.com](http://akdrb.com)  
Phone - 1-800-232-0859



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### Investments

Participant is in the Driver Seat

- Default into one of 11 Target Retirement Funds
- Can self direct to numerous other funds

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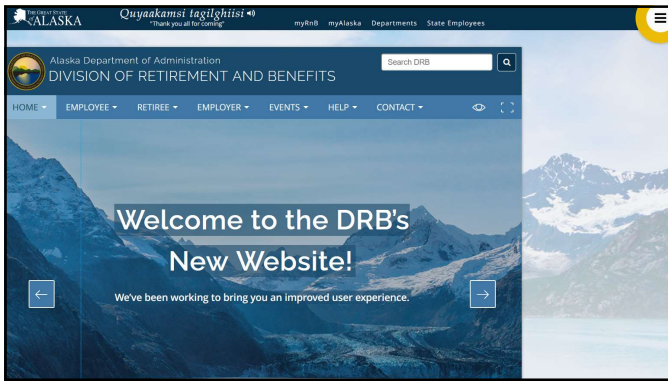
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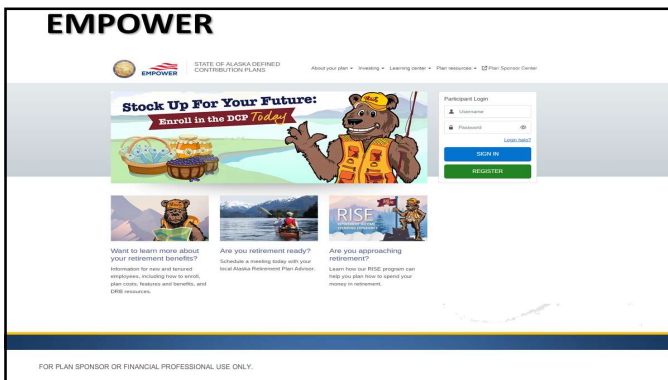
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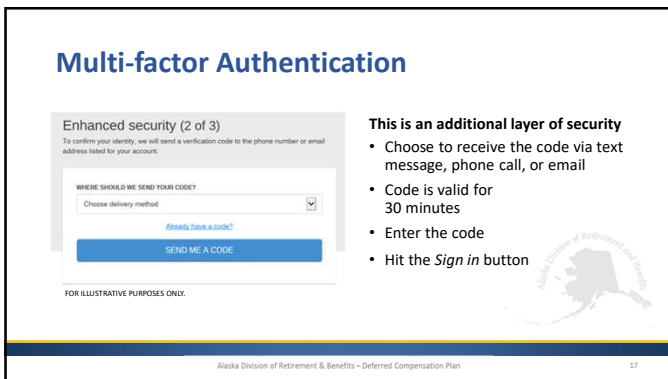
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**Miscellaneous**

- Re-enroll if a break in service
  - Returning legislative session employees
  - Lay-off status
- Plan-to-Plan transfer accepted from another eligible 457(b) plan

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**Beneficiaries**



**Update with EMPOWER Retirement**

- Hardcopies
- On-line updates

**Default Beneficiary**

- Spouse
- Children
- Parents
- Estate

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**Death Benefits**

- Available in the event participant deceases
- Benefit distribution options differ slightly for spouse and non-spouse beneficiaries
- Contact Division of Retirement & Benefits for detailed information regarding options

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### Purchase of Service

- PERS Tiers I, II & III can utilize the DCP account funds and other qualified pre-tax plans to pay for
  - Temporary service
  - Military service
  - Workers' Compensation leave without pay
- Must complete prior to beginning retirement
- Contact Retirement & Benefits Accounting Section at: **(907) 465-4460 or (800) 821-2251**



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### Distribution

- Lump Sum
- Direct Transfer/Rollover to Non-Roth or ROTH IRA
- Periodic Payments
- Annuity Options
- Do nothing and maintain access to the account



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### In-Service Distribution

- Under legislation that includes the SECURE Act, the Deferred Compensation 457(b) plan now offers:
  - Distributions to participants starting at age 59.5
    - allows participants who remain employed after age 59.5 the option of taking a distribution at any time
  - Small account distribution
    - a one-time only, in-service, small account balance distribution that applies to accounts valued at \$5,000 or less and to which no contributions were made for the preceding two years
  - Distribution in the event of birth or adoption
    - up to \$5,000, to help parents defray the expenses of a new baby or an adoption



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### Stay in the Plan

- Potentially lower fees
- Access to local, dedicated representatives not compensated on a commission basis
- A wide variety of investment choices
- Easy account management
- Retirement planning tools
- Investing advisory services



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### Distribution Taxes & Penalties

- Subject to income tax
  - 20% Withholding for lump sum, 5-year certain annuity
  - Choose withholding for payouts lasting 10 or more years
- State tax based on residence
- No 10% penalty for early withdrawal
- Special Provisions for Roth 457



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### Distribution Procedures



- Requested distributions **do not** require a 60-day waiting period after termination
- Can defer payment until April 1<sup>st</sup> of calendar year after you turn age 72
- Submit distribution requests to Empower Retirement after termination of employment



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### Account Information



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- For specific account information contact Empower:  
**(800) 232-0859 or akdrb.com**



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### Other Considerations


**Divorce & Dissolution**

- Retirement accounts are considered a marital asset
- If married during employment and later divorce, former spouse may have a claim to part of retirement benefits
- Required to provide court certified copies of your divorce or dissolution documents



**Keep Address Current**

- Active through Employer
- Deferred – Online Instructions



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### Next Steps

- Register to access your account information at <https://akdrb.empower-retirement.com>
- Identify your investments and associated risk level
- Utilize tools and educational resources to help you understand how much you might want to consider saving
- Consider contributing to Deferred Compensation if offered by your employer
- Check your beneficiaries, update if needed



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**Contacts**

<p><b>DRB Member Services Center</b></p> <ul style="list-style-type: none"> <li>• (800) 821-2251 or (907) 465-4460 –</li> <li>• Monday - Thursday, 8:30am to 4pm</li> <li>• Friday, 8:30 am to 3 pm</li> </ul>	<p><b>EMPOWER Customer Service</b></p> <ul style="list-style-type: none"> <li>• (800) 232-0859 - 5:00am to 5:30pm</li> <li>• Voice Response System (24 hours)</li> </ul>
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*Thank You!*

Please complete the seminar evaluation located in your folder.



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