Comparison of the Governmental 457(b) and 401(k) Plans

My Money, My Future, My Tennessee® 401(k) and 457 Deferred Compensation Program

		401(k) plan	
Provision	**457 Plan**	**Before-tax 401(k) Plan**	**Designated Roth 401(k)**
Authorization	Internal Revenue Code (IRC) Section 457(b)	IRC Section 401(k)	IRC Section 402A
Eligibility	• State, Higher Education and Local Education Agency employees, upon date of hire or anytime thereafter. • Local Government employees, upon employer adoption of the plan.		
Is My Contribution Taxable in the Year I Make It?	No.	No.	Yes.
Is My Contribution Taxed When Distributed?	Yes.	Yes.	No.
Are the Earnings on My Contributions Taxed When Distributed?	Yes.	Yes.	No, provided the distribution occurs after age 59½, death or disability and at least five tax years after your first contribution.
Maximum Annual Deferral	Under Age 50: $17,500 in 2014. Age 50+: $23,000 in 2014. The annual contribution limit may be indexed for inflation in future years. According to Internal Revenue Service (IRS) regulations, the increases can only take place in $500 increments and may not occur every year.	Under Age 50: You may defer a combined maximum of $17,500 in 2014 to the 401(k) plan and the Roth 401(k) plan. Age 50+: $23,000 in 2014. The annual contribution limit may be indexed for inflation in future years. According to IRS regulations, the increases can only take place in $500 increments and may not occur every year.	
Deferral Amounts Coordinated with Other Retirement Plans	If an employee is eligible to contribute to either a 401(k) or 403(b) plan and, in addition to that 401(k) or 403(b) contribution, is also eligible to contribute to a governmental 457(b) plan, then that employee may defer the maximum annual contribution to both plans (either 401(k) and 457(b) or 403(b) and 457(b)) for a total contribution of $35,000 in 2014. This does not include catch-up contributions.	If an employee is able to contribute to both a 403(b) and a 401(k) plan, that employee may contribute to both. However, total aggregate contributions to both plans may not exceed the annual contribution limit, which is $17,500 for 2014 or $23,000 if an employee is 50 years of age or older.	
Employer Contributions	None.	State match amount is subject to annual appropriation. Notice of amount is announced annually.	
Standard Catch-Up Allowed	Yes. If not using Age 50+ Catch-Up, Standard Catch-Up is available during the last three calendar years before the year an employee attains normal retirement age. An employee may be eligible to make contributions up to a maximum annual contribution of $35,000 in 2014. The Standard Catch-Up and Age 50+ Catch-Up cannot be used in the same tax year.	No.	

		401(k) plan	
Provision	**457 Plan**	**Before-tax 401(k) Plan**	**Designated Roth 401(k)**
Withdrawals Permitted	Retirement, death, termination of employment, or approved unforeseeable emergency. (Unforeseeable emergency is a severe financial hardship resulting from a sudden illness or accidental property loss, subject to strict IRS guidelines.)	Retirement, death, termination of employment, attainment of age 59½, or approved financial hardship caused by certain types of financial needs.	
Benefits Must Begin No Later Than …	April 1 of the year following the later of the year a participant turns 70½ or the year of retirement from the employer sponsoring the plan.		
Saver's Tax Credit	Eligible participants may receive a non-refundable tax credit of up to 50% on an annual contribution of $2,000 in elective deferrals, in addition to the tax deferral. This credit generally applies to joint filers with an adjusted gross income (AGI) of up to $59,000 and single filers with an AGI of $29,500 in 2014. Eligible participants must complete a federal income tax return and claim the credit on an appropriate form.		
Tax Penalties	No 10% penalty tax for distributions of 457(b) money taken prior to age 59½. A 50% excise tax applies if minimum required distributions are not taken before April 1 of the year following the attainment of age 70½ or retirement, if later.	A 10% federal penalty tax may apply to distributions taken prior to age 59½. A 50% excise tax applies if minimum required distributions are not taken before April 1 of the year following the attainment of age 70½ or retirement, if later.	Premature distributions of any Roth earnings are taxed plus a 10% penalty tax unless an exception applies. If a distribution is made from your Roth 401(k) account before you reach age 59½ and it is not due to death or disability, and reaching the five tax year period beginning with your first Roth contribution, you will pay income tax on any earnings that are distributed.
Transfers/Rollovers out of the Plan[1]	Funds may be rolled over into a 401(k) plan, a governmental 457 plan, a 401(a) plan, a 403(b) plan or an IRA once you have met the eligibility requirements for withdrawal. Please check with your new plan provider to determine if rollovers are allowed into your new plan. Funds may also be transferred to TCRS for purchasing prior service credit.	Funds may be rolled over into another 401(k) plan, a governmental 457 plan, a 401(a) plan, a 403(b) plan or an IRA once you have met the eligibility requirements for withdrawal. Please check with your new plan provider to determine if rollovers are allowed into your new plan. Funds may also be transferred to TCRS for purchasing prior service credit.	Funds may be transferred to a Roth IRA, 401(k) or other plan with a designated Roth account that accepts rollovers.
Loan Provisions	None.	Active employees who have $4,000 in the plan may borrow up to half of their account balance, not to exceed $50,000. $4,000 minimum balance requirement is based on Employee contributions only. Employer contributions are not eligible for loans. Refer to the Loan Brochure for details	
Ownership of Assets Prior to Withdrawal	A trust has been established for the benefit of the plan participants.		

Note: Statements regarding federal income tax requirements and plan rules are based upon the State of Tennessee's current understanding of the law and are subject to change as a result of subsequent amendments, regulations and interpretations. Participants are urged to consult their own tax advisors for advice concerning their particular circumstances.

The above is only a brief discussion of applicable tax requirements. Specific limitations and requirements are stated in detail in the Plan Documents and the IRC regulations.

1 You are encouraged to discuss rolling money from one account to another with your financial advisor/planner, considering any potential fees and/or limitation of investment options.

Core securities, when offered, are offered through GWFS Equities, Inc. and/or other broker dealers.

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