

RSA-1
Deferred
Compensation
Plan



Member Handbook





Contact RSA-1

Phone 877.517.0020 • 334.517.7000

Fax 877.517.0021 • 334.517.7001

Email rsalinfo@rsa-al.gov

Because email submissions are unsecured, do not include confidential information like your Social Security number. Please include your full name, employer, home mailing address, and daytime phone number.

Mail The RSA-1 Deferred Compensation Plan
P.O. Box 302150
Montgomery, AL 36130-2150

Website www.rsa-al.gov

Member Online Services

Change your address and view your account statement online
<https://mso.rsa-al.gov>

Building Location

201 South Union Street
Montgomery, Alabama

Request a Presentation

Field Services Division
877.517.0020

Business Hours

8:00 a.m. - 5:00 p.m.
Monday - Friday

Please provide your full name and Social Security number on all faxes and letters.

RSA-1 Member Handbook

Introduction

The Retirement Systems of Alabama (RSA) is pleased to provide the RSA-1 Deferred Compensation Plan Member Handbook. This handbook is an important part of our commitment to provide you and anyone eligible for RSA-1 with valuable information to assist you with saving for your retirement while deferring taxes. The majority of people working today expect their retirement income to come from three sources: their pension plan, Social Security, and personal savings. With experts estimating that a person will require between 70 and 80 percent of his or her preretirement income, increasing your personal savings is a good retirement strategy to help supplement your retirement income.

One way for public employees in Alabama to increase their personal savings and add to their financial security is by investing in an Internal Revenue Code Section 457 Deferred Compensation Plan like RSA-1. RSA-1 offers an easy and flexible way to save for retirement through payroll deduction while deferring taxes today. Please read this Member Handbook and contact RSA-1 with any questions you may have about securing a better future with the RSA-1 Deferred Compensation Plan.

The information in this handbook is based on Section 457 of the Internal Revenue Code of the United States and is authorized by §36-27A-1, et. seq., Code of Alabama 1975. This handbook is not intended as a substitute for the Internal Revenue Code nor will its interpretation prevail should a conflict arise between its content and Section 457 of the Internal Revenue Code. Do not rely solely upon the information provided in this handbook to make any decision regarding enrollment in RSA-1, but contact RSA-1 with any questions you may have. This handbook is educational and not intended to serve as the primary source or sole basis for your investment or tax-planning decisions.

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About RSA-1

Establishment of RSA-1

RSA-1 is an eligible deferred compensation plan as defined by Section 457 of the Internal Revenue Code of the United States. The plan is authorized by §36-27A-1, et. seq., *Code of Alabama 1975*. Under this deferred compensation plan, a public employee may elect to defer receipt of a portion of his or her salary until a later determined date, usually at retirement or termination of service. Because receipt of the income is deferred, the deferred income is not included in the participant's current federal or state of Alabama gross taxable income.

The deferred income is paid into the RSA-1 Deferred Compensation Plan and invested for the participant's benefit. Investment earnings are accumulated in the fund and like the deferred income, are not subject to federal or state of Alabama income taxation until distributed to the employee. Deferred income and the investment earnings are held in the participant's account for the exclusive benefit of the plan participants and their beneficiaries.

No Fees!

Unlike other funds, there are **no** administrative, membership, investment, transaction, sales or commission fees for participating in the RSA-1 Deferred Compensation Plan. All the money you defer and all investment earnings are placed into your account and invested by RSA-1.

PEIRAF Board of Control

RSA-1 is administered by the Secretary-Treasurer of the Employees' Retirement System under the supervision and direction of the PEIRAF Board of Control, which is composed of members of the investment committees of the Teachers' and Employees' Boards of Control. This Board is authorized to make the rules and regulations governing RSA-1 in conformance with the requirements of the Internal Revenue Code.

Administrative Cost

The administrative cost for the operation of RSA-1 is provided from the expenses of the Employees' (ERS) and Teachers' (TRS) Retirement Systems. No additional state funds are used to administer RSA-1.

Visit the RSA Website
(www.rsa-al.gov)

RSA-1 strongly encourages its members and member agencies to browse this user-friendly site because of the tremendous amount of useful information and interactive tools available.

What you can find:

- ◆ RSA-1 policy changes
- ◆ Change address online
- ◆ 12-month historical returns
- ◆ Investment option information
- ◆ Rates of return
- ◆ View account online
- ◆ Asset allocation
- ◆ Publications and forms
- ◆ Legislation affecting the RSA and RSA-1
- ◆ Retirement benefit calculator
- ◆ Retirement planning information
- ◆ Retiree Information

Map and Directions

From the West

Follow Highway 80 to I-65. Follow I-65 North to Montgomery. Approaching Montgomery, stay in the right-hand lane and exit onto I-85 North to Atlanta. Continue in the right-hand lane; then take the first exit, which is Court Street. Stay on the service road until you reach Union Street. Turn left on Union Street. Continue on Union Street through two traffic lights. The RSA Headquarters is on the right before Adams Avenue. Members may park for free in the Member Services parking lot in front of the parking deck.

From the East

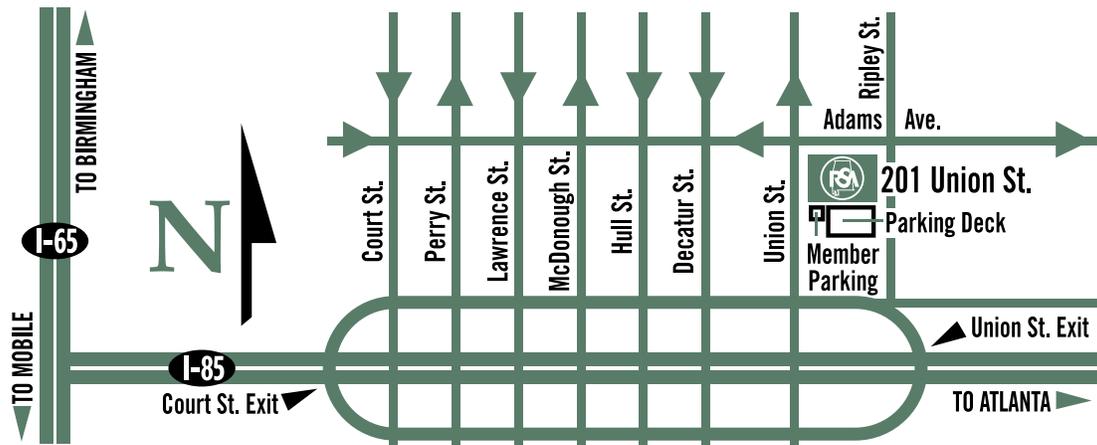
Follow I-85 South to downtown Montgomery and take the Union Street exit on the right. Take the first right on the service road onto Union Street. Continue on Union Street through one traffic light. The RSA Headquarters is on the right before Adams Avenue. Members may park for free in the Member Services parking lot in front of the parking deck.

From the South

Follow I-65 North to Montgomery. Approaching Montgomery, stay in the right-hand lane and exit onto I-85 North to Atlanta. Continue in the right-hand lane; then take the first exit, which is Court Street. Stay on the service road until you reach Union Street. Turn left on Union Street. Continue on Union Street through two traffic lights. The RSA Headquarters is on the right before Adams Avenue. Members may park for free in the Member Services parking lot in front of the parking deck.

From the North

Follow I-65 South into Montgomery. Take the I-85 North exit to the right to Atlanta. Stay in the right-hand lane and take the first exit on I-85, which is the Court Street exit. Stay on the service road until you reach Union Street. Turn left on Union Street. Continue on Union Street through two traffic lights. The RSA Headquarters is on the right before Adams Avenue. Members may park for free in the Member Services parking lot in front of the parking deck.



Participation

Employee Eligibility

Any public official or employee of the state of Alabama, supernumeraries, and those eligible employees under §36-27-6, or any political subdivision thereof is eligible to participate in the RSA-1 Deferred Compensation Plan, regardless of age or participation in the RSA. Participation in RSA-1 is strictly voluntary.

Employee Enrollment

You can enroll in RSA-1 at any time. Enrollment forms are located at the back of this handbook and on our website.

To participate in RSA-1, you must:

- ◆ Complete the:
 - ◇ RSA-1 ENROLLMENT form
 - ◇ BENEFICIARY DESIGNATION form, and
 - ◇ INVESTMENT OPTION ELECTION FOR NEW ACCOUNTS form.

Submit the completed forms to the RSA-1 Deferred Compensation Plan to establish an account.

- ◆ Once an account is established, you initiate salary deferrals by filing an AUTHORIZATION TO DEFER COMPENSATION form with your **payroll officer**.
- ◆ You can only defer contributions to RSA-1 through payroll deductions. Do not send the AUTHORIZATION TO DEFER COMPENSATION form to RSA-1 or the RSA.

Easy to Make Deferrals

- ◆ Deferrals may be in any amount desired (for example, \$10, \$20, \$50, etc.) as long as you do not exceed the maximum deferral allowable under federal law.
- ◆ The amount of your deferral may be increased, decreased or suspended as

often as you wish, subject only to employer payroll requirements.

Note: For your protection, account information is not given over the phone or through email. Once the request is received, a letter is sent to the address on file.

Designation of Beneficiary

It is very important to maintain current beneficiary designations. Federal tax laws dictate certain requirements for distributions of your RSA-1 account to your beneficiary(ies) after your death. If you have not recently reviewed your beneficiary designation(s), please do so as you prepare to terminate employment or retire. Your contingent beneficiary will only receive the funds if the primary beneficiary predeceases the contingent beneficiary.

If you need to change your beneficiary or if your primary beneficiary dies, download a BENEFICIARY DESIGNATION form from our website or contact Member Services.

Change of Address

Having your current home mailing address on file with RSA-1 is very important. Many important documents are mailed to you, including account statements. You can change your address online or by completing the ADDRESS CHANGE NOTIFICATION. The ADDRESS CHANGE NOTIFICATION form can be downloaded from our website or obtained from Member Services.

RSA-1 Statement

The RSA-1 statement verifies the balance and earnings for each investment option as of December 31, March 31, June 30, and September 30. Your designated beneficiary is also listed on the statement. To view your account at any time, visit Member Online Services on our website. You can also request information by contacting Member Services at 877.517.0020 or emailing rsainfo@rsa-al.gov.

Deferring to RSA-1 Equals Tax Savings

The income you defer is paid into your RSA-1 account and invested for your benefit. Investment earnings are accumulated in the fund and like the deferred income, are not subject to federal or state of Alabama income taxation until distributed to you. Deferred income and the investment earnings are held in your account for the exclusive benefit of you and your beneficiary(ies).

Tax Savings

The following is an example of how participation in RSA-1 can help you reduce your current taxes:

Example:

- ◆ An employee earning \$1,000 semimonthly
- ◆ Deferring \$100 into RSA-1 semimonthly
- ◆ Filing as single with one withholding allowance

Tier 1 Employees

Contributing to RSA-1		Not Contributing to RSA-1	
Semimonthly pay	\$1,000.00	Semimonthly pay	\$1,000.00
RSA-1 Deferral	\$100.00	RSA-1 Deferral	\$0.00
7.5% Retirement Contribution	\$75.00	7.5% Retirement Contribution	\$75.00
Federal Tax*	\$51.96	Federal Tax*	\$66.96
State Tax*	\$29.00	State Tax*	\$33.00
FICA	<u>\$76.50</u>	FICA	<u>\$76.50</u>
<u>Take-Home Pay</u>	<u>\$667.54</u>	<u>Take-Home Pay</u>	<u>\$748.54</u>

In this example, deferring \$100 only decreases your take-home pay by \$81 while saving \$19 on taxes.

Tier 2 Employees

Contributing to RSA-1		Not Contributing to RSA-1	
Semimonthly pay	\$1,000.00	Semimonthly pay	\$1,000.00
RSA-1 Deferral	\$100.00	RSA-1 Deferral	\$0.00
6.0% Retirement Contribution	\$60.00	7.5% Retirement Contribution	\$60.00
Federal Tax*	\$54.21	Federal Tax*	\$69.21
State Tax*	\$29.00	State Tax*	\$33.00
FICA	<u>\$76.50</u>	FICA	<u>\$76.50</u>
<u>Take-Home Pay</u>	<u>\$680.29</u>	<u>Take-Home Pay</u>	<u>\$760.29</u>

**Based on the 2014 tax tables.*

In this example, deferring \$100 only decreases your take-home pay by \$80 while saving \$20 on taxes.

Effects of Saving

The following example illustrates the power of compounding*:

Effect of Saving Over a 25 Year Period*			
Monthly Deferral Amount	Assumed Earnings Rate		
	6%	7%	8%
\$25	17,324.85	20,251.79	23,775.66
\$50	34,649.70	40,503.58	47,551.32
\$100	69,299.40	81,007.17	95,102.64
\$200	138,598.79	162,014.34	190,205.28
\$400	277,197.58	324,028.68	380,410.56

Effect of Saving Over a 30 Year Period*			
Monthly Deferral Amount	Assumed Earnings Rate		
	6%	7%	8%
\$25	25,112.88	30,499.27	37,258.99
\$50	50,225.75	60,998.55	74,517.97
\$100	100,451.50	121,997.10	149,035.94
\$200	200,903.01	243,994.20	298,071.89
\$400	401,806.02	487,988.40	596,143.78

Will started deferring \$50 monthly into his RSA-1 Deferred Compensation Plan account when he was 25 years old. At age 55, Will's account balance will be \$50,226.

Katherine started deferring \$75 monthly into her RSA-1 Deferred Compensation Plan account when she was 35 years old. At age 55, Katherine's account balance will be \$34,653.

Both contributed a total of \$18,000 but Will contributed a smaller amount each month over a longer period of time and still accumulated \$15,573 more than Katherine. This is the power of compounding.

** This example assumes a 6% rate of interest and is for illustrative purposes only. It is in no way indicative of the future performance of any of the investment options available through RSA-1.*

**These examples are provided for illustration purposes only and do not guarantee that the fund will perform at this level in the future.*

Power of Compounding

Many retirees frequently say their biggest regret is that they did not start saving earlier. By committing to a savings plan early, you can contribute less but save more.

How does this work?

This financial phenomena is known as the Power of Compounding. As the years pass, the money you invest in the RSA-1 Deferred Compensation Plan will continue to earn tax-free monies. By reinvesting these monies, additional funds are earned, continuing this cycle year after year.

The Advantage of Beginning Early

The earlier you begin participating in RSA-1, the larger the difference in long-term accumulation. The chart below is an example based on a monthly contribution of \$100 earning an assumed interest rate of 7%, compounded monthly.

Beg. Age	Value at Age 65	Tot. Amt. Contrib.	Cost of Waiting 1 Yr.
25	\$264,012	\$48,000	
26	\$245,051	\$46,800	\$18,961
35	\$122,709	\$36,000	
36	\$113,274	\$34,800	\$9,435
45	\$52,397	\$24,000	
46	\$47,702	\$22,800	\$4,695

**This chart is for illustrative purposes only and should not be considered indicative of the future performance of any of the investment options available through RSA-1.*

Investing in RSA-1

Investment Options

Bond and Other Fixed Income and Stock Portfolios

RSA-1 funds are invested under the same authority and restrictions that govern investments made by the Teachers' and Employees' Retirement Systems. The RSA-1 Deferred Compensation Plan offers the option to invest in bonds, stocks, and/or short term investments (STIF). The funds in the RSA-1 bond, stock, and short term investment options are not self-directed; rather they are invested as a pool.

The RSA-1 bond portfolio is invested in various debt instruments greater than one year such as corporate bonds, U.S. agency obligations, government national mortgage association securities, and commercial paper. The stock portfolio is invested in an S&P 500 Index Fund, which consists of 500 large capitalization stocks..

The STIF option provides liquidity and preserves capital by reducing exposure to market volatility. Typically, short-term investments encounter less market risk than do stocks and bonds because of their short duration. Therefore, they usually provide a lower rate of return than investments in those categories.

Investments under the STIF option could include high-quality money market securities, U.S. Treasury bills or notes, and U.S. government agency notes with a maturity of one year or less.

Earnings or losses are posted to your account monthly and your accounts are valued monthly at market value. The RSA-1 staff can further explain these options to you, but cannot advise you regarding which particular option to elect.

When it comes to risk and reward, stocks and bonds generally behave differently. When choosing between the stock, bond, and STIF options, you should strive for an optimal blend of risk and reward – based on your age, years until retirement, and tolerance for risk.

Just as the bond and stock funds, an investment in a STIF account is not insured or guaranteed

by the Federal Deposit Insurance Corporation or any other government agency. Although this investment option seeks to preserve the value of your investment, it is possible to lose money by investing in the fund.

New Participants

New participants must complete the RSA-1 ENROLLMENT, BENEFICIARY DESIGNATION, and INVESTMENT OPTION ELECTION FOR NEW ACCOUNTS forms to open an RSA-1 account. Those three forms are to be completed and returned to RSA-1. A fourth form, the AUTHORIZATION TO DEFER COMPENSATION, is to be completed and returned to your own Payroll Officer.

Existing Participants

Existing participants will be able to change their investment option every 90 days. The election will remain in effect until a subsequent eligible election is made, but it must remain in effect for 90 days.

If you do not wish to change your investment option, the election will remain in effect until you decide to make a change. You may stop deferrals at any time, but the election will remain in effect if you subsequently resume deferrals. The INVESTMENT OPTION ELECTION FOR EXISTING ACCOUNTS form is on the website or request it from Member Services.

Tax Information

You do not pay current federal or state income taxes on your investment earnings. RSA-1 deferrals and earnings are only subject to taxes when the funds are withdrawn from RSA-1.

Rates of Return

Your earnings are based on market conditions. For historical rates of return on investments, visit our website or call Member Services. Past performance is no guarantee of future performance.

Deferral Limits

Annual Contribution Maximums

The maximum amount you may defer per year is 100% of your includable compensation reduced by other tax-deferred retirement contributions and pre-tax salary reductions, but not more than the following annual contribution maximums:

Annual Contribution Maximum

Year	Under 50	50 and Over
2015	\$18,000	\$24,000

There is no minimum amount you must defer. Deferrals to RSA-1 do not affect retirement benefits because retirement benefits are calculated on your gross salary.

Participation in Other Plans

If you are making deferrals to another Section 457 plan, the annual contribution maximum applies to all 457 plans. For example, if you are deferring \$9,000 in 2015 to RSA-1, you are limited to a total of \$9,000 (or \$15,000 age 50 and over) with any other 457 plan in that calendar year. If you are contributing to a 403(b) or a 401(k), the limits to those plans will not be affected by deferrals to the RSA-1 Deferred Compensation Plan.

Catch-up Deferrals

Catch-up Maximums

If you did not defer the maximum deferral amount in the years beginning with 1986 and were eligible to participate, you may “catch-up” unused eligible amounts for one to three years if you are within three years of normal retirement age and are eligible for an unreduced pension.

The following limits apply:

Year	Catch-up Maximum
2015	\$36,000

The RSA-1 plan allows members to make catch-up deferrals during the three calendar years that **end prior to Normal Retirement Age (NRA)**. Normal Retirement Age is the age you choose solely for the purpose of initiating your catch-up election. This age must occur no later than

70½ and be no earlier than the year you would be eligible for retirement benefits

To be eligible, the member must have unused eligible amounts from years in which the maximum amount was not contributed. Total deferrals during the three-year catch-up period, including current year deferrals, must not exceed the annual catch-up maximum per calendar year. **You cannot participate in the Age 50 and Over and Catch-Up provisions at the same time.**

The following rules apply to the catch-up election:

- ◆ The NRA determines the three-year period during which you are eligible to make Special Catch-Up contributions.
- ◆ At NRA, you are able to receive benefits under the ERS or TRS pension plan.
- ◆ You cannot elect a NRA before you are otherwise eligible for retirement or after age 70 ½.
- ◆ You cannot use the Special Catch-Up in the calendar year in which you reach the NRA you elect.
- ◆ You may use the Special Catch-Up in the year you retire if your retirement occurs in one of the three calendar years immediately prior to the year in which you reach the NRA elected above.
- ◆ You can only make this election once and this election is irrevocable once you begin making Special Catch-Up contributions.
- ◆ The Special Catch-Up contributions cannot exceed the amounts determined on the Special Catch-Up Worksheet.

RSA-1 must approve the **SPECIAL CATCH-UP ELECTION AND WORKSHEET** before catch-up deferrals can be made.

Sick and Annual Leave Deferrals

If you are eligible to receive payment for sick and annual leave at termination of employment, you may defer up to the maximum limit in the year you terminate employment.

Distribution of Funds

Availability of Funds

RSA-1 funds cannot be assigned or alienated.

Conditions for Withdrawal

RSA-1 is not a savings account from which you make periodic withdrawals. Rather, it is a retirement account that is available only after you have either retired or otherwise terminated employment.

You may not withdraw your account unless you meet one of the following conditions:

- ◆ Separation from service through retirement or termination from employment
- ◆ Attainment of age 70½
- ◆ Unforeseeable Emergency (contact RSA-1)
- ◆ Small Balance Withdrawal (contact RSA-1)

Current IRS regulations require that distributions begin no later than April 1 of the calendar year following the calendar year in which the employee attains age 70½ or retires, whichever is later.

Unforeseeable Emergency

An unforeseeable emergency is defined as follows:

- ◆ You and/or your dependent are faced with a severe hardship resulting from a sudden and unexpected illness or accident.
- ◆ You are faced with a severe hardship resulting from loss of property due to flood, fire, or windstorm.
- ◆ Other similar and extraordinary circumstances arising as a result of events beyond your control.

In case of withdrawals due to unforeseeable emergencies, payment may not be made if:

- ◆ The loss was protected by insurance.

- ◆ The loss can be satisfied by liquidation of the participant's assets to the extent the liquidation of such assets would not in itself cause severe financial hardship.
- ◆ The loss can be satisfied by stopping payroll deductions to this plan.

In the event of emergency withdrawals described above, payments from your account can only be made to the extent reasonably necessary to satisfy the emergency.

Situations that **may** qualify as an unforeseeable emergency:

- ◆ Imminent foreclosure or eviction from one's primary residence
- ◆ Unreimbursed necessary medical expenses (excluding cosmetic procedures)
- ◆ Funeral expenses of a spouse, dependent, or beneficiary

Hardships that do not fall into the unforeseeable category described above do not qualify for withdrawal. Withdrawals will not be allowed for buying a home, college expenses, or other similar purposes.

After a distribution for an unforeseeable emergency, a participant must stop deferrals for a six month period.

If you think you qualify, complete the FINANCIAL HARDSHIP DISTRIBUTION REQUEST form located on our website or contact Member Services to request the form.

Small Balance Withdrawal

The Internal Revenue Service allows a cash-out provision if **ALL** the following conditions are met:

1. The account balance is \$5,000 or less.
2. There have been no deferrals into the account for 24 months prior to the cash-out distribution.

- There have been no prior distributions other than hardship distributions.

Distribution Elections

With the exception of RMD (see below), the following distribution elections are permitted only upon retirement or other termination of service. (See **Conditions for Withdrawal** on page 8.) The account(s) will continue to have interest posted to the balance each month. You may leave the balance in your account until you request a distribution or you retire or terminate service and reach age 70½ when it is necessary to start the Required Minimum Distribution (RMD).

At the time of retirement or separation from service, you may choose one or a combination of the following distribution elections:

1. Fixed Dollar Amount

You may have your account funds distributed in a specified dollar amount until your account is exhausted.

2. Fixed Time Period

You may have your account funds distributed periodically based on a specific number of years.

Members who elect to receive a periodic payment for a period of 10 years or more may choose the amount of federal tax they wish to have withheld from the monthly or annual disbursement. However, the member will be responsible for taxation on federal tax returns.

If the periodic payment is for a period less than 10 years, the IRS requires the RSA to withhold 20% for federal income tax.

3. Partial Lump-Sum

Receive a partial lump-sum payment and leave the balance in the account. The IRS requires RSA-1 to withhold 20% of the partial lump-sum for federal income tax.

4. Full Lump-Sum

Receive a lump-sum payment consisting of the balance in the account(s). The IRS requires RSA-1 to withhold 20% of the lump-sum distribution for federal income tax.

5. Combination of Elections

Participants may take a partial lump-sum payment and start periodic payments or a partial lump-sum payment and roll over a portion or the remaining balance to an eligible retirement plan.

Payment Information

Monthly and annual payments are mailed and electronic deposits are made the last business day of each month. Full lump-sum and partial payment checks are mailed on Fridays or are available for pickup at the Retirement Systems of Alabama, 201 South Union Street, Montgomery. No interest will be paid on the monthly interest posting date after the account has been distributed in full.

If you sever employment and your account value is less than \$1,000, the Plan Administrator may pay the account in a lump-sum or permit you to roll out of the account.

Required minimum distributions (RMDs) are the minimum amounts that must eventually be distributed from the plan to participants and beneficiaries. Participants and beneficiaries who do not take timely RMDs from the plan will be subject to a 50% excise tax on the amount of the required minimum distribution that should have been distributed. Of course, distributions can be made in greater amounts than the minimum required by law.

In general, a participant is required to begin distributions no later than April 1 of the calendar year following the later of:

- ◆ The calendar year the participant attains age 70½ or
- ◆ The calendar year the participant retires.

A participant's RMDs are generally distributed during a participant's lifetime based upon the participant's life expectancy. RMD rules continue to apply after the participant's death.

Distribution of Benefits for Beneficiaries

A participant can designate multiple beneficiaries and assign each beneficiary a percentage of his or her interest in the retirement benefit.

If minimum distributions had begun before the participant's death, annual distributions must continue based on the longest life expectancy (either the beneficiary's or participant's remaining life expectancy based on the age that the participant would have reached in the year that he or she died).

If the participant's spouse is the sole beneficiary and at least 10 years younger than the participant, the RMD may be calculated based on the joint life expectancies of the participant and the sole surviving spouse beneficiary. The term "spouse" is defined by Alabama law and/or IRS ruling 2013-17.

If the participant is not already receiving distributions, the beneficiary is subject to RMD. When a beneficiary must begin receiving minimum distributions depends upon whether or not he or she is the surviving spouse, whether an estate or trust is the beneficiary, or whether the deceased participant had already begun receiving minimum payments before death.

Required minimum distributions must be made to a beneficiary when the participant has not begun to receive minimum distributions before death:

1. If the beneficiary is the **surviving spouse**, there are three options:

Five-Year Rule

- ◆ The entire death benefit amount must be distributed by December 31 of the calendar year containing the fifth anniversary of the participant's death.

Life Expectancy Rule

- ◆ The death benefit must begin to be paid out over the spouse's life expectancy beginning by December 31 of the year following the participant's death.

Upon the death of the spousal beneficiary, the remaining amount is paid as a lump-sum to the spouse's beneficiary.

- ◆ The death benefit must begin to be paid out over the spouse's life expectancy beginning by December 31 of the year in which the deceased participant would have reached age 70^{1/2}.
2. If the beneficiary is a **non-spouse**, he or she has two options:

Five-Year Rule

- ◆ The entire death benefit amount must be distributed by December 31 of the calendar year containing the fifth anniversary of the participant's death.

Life Expectancy Rule

- ◆ The death benefit must begin to be paid out over the non-spouse's life expectancy beginning by December 31 of the year following the participant's death.

Upon the death of the non-spousal beneficiary, the remaining amount is paid as a lump-sum to that beneficiary's estate.

If the beneficiary is an estate, the entire death benefit amount must generally be distributed by December 31 of the calendar year containing the fifth anniversary of the owner's death (Five-Year Rule).

Transfers and Rollovers

Transfers to Purchase Permissive Service Credit

You may use your RSA-1 funds to purchase permissive service credit with a governmental defined benefit plan such as ERS and TRS. If you wish to purchase permissive service credit with the ERS or TRS, please contact the ERS or the TRS at 877.517.0020 for information on how to make this purchase. You must complete the IN-SERVICE TRANSFER form to purchase permissive service credit. This form is located on our Website or can be requested through Member Services.

Transfers/Rollovers to Other Plans

RSA-1 allows transfers to other state of Alabama 457 plans while you are still in-service. Once you are eligible for distributions due to retirement, termination, or death, you or your beneficiary may roll over your RSA-1 funds to a Section 401(k), 403(b), 457 plan, Roth IRA, or a Traditional IRA. The OUTGOING TRANSFER OR ROLLOVER TO ELIGIBLE PLANS form must be requested from Member Services.

457 Transfers to RSA-1

RSA-1 accepts trustee-to-trustee transfers from a participant's other Section 457 plans. An RSA-1 account must be established prior to the transfer. Funds transferred from other Section 457 accounts must never have been from any source other than 457(b).

To transfer these funds:

- ◆ Complete the INCOMING TRANSFER FROM OTHER SECTION 457 PLANS TO RSA-1 form and the INVESTMENT OPTION ELECTION FOR INCOMING TRANSFERS form.
- ◆ The Trustee of the previous 457 plan must complete and sign Part II of the INCOMING TRANSFER TO RSA-1 form.
- ◆ Send the completed forms to RSA-1.

Rollovers to RSA-1

RSA-1 accepts rollovers from state of Alabama or other eligible employer DROP accounts once you have terminated employment. Only participants, not spouses or other beneficiaries, can roll into RSA-1.

- ◆ If you are not a member of RSA-1, complete the RSA-1 ENROLLMENT form; BENEFICIARY DESIGNATION form; and the INVESTMENT OPTION ELECTION FOR NEW ACCOUNTS form, DROP ROLLOVER section. Return the notarized forms to RSA-1 prior to terminating employment.
- ◆ If you are already a member of RSA-1, complete the INVESTMENT OPTION ELECTION FOR NEW ACCOUNTS form (DROP Rollover section) and return it to RSA-1 prior to termination of employment.

For information about your DROP distribution, read the ERS or TRS DROP Distribution brochure on our website or request it from either the ERS or TRS.

Tax Information

Tax Withholding

- ◆ Distributions are subject to the IRS withholding rules applicable to qualified plans.
- ◆ For lump-sum payments and partial lump-sum payments that are eligible for rollover distribution, federal law requires a 20% withholding.
- ◆ For periodic payments of less than 10 years' duration, the member will have 20% withheld for federal income tax as required by the IRS.
- ◆ For periodic payments of greater than 10 years' duration, the member may select the amount of federal tax they wish to have withheld from their monthly or annual disbursement.
- ◆ Generally, for payments to non-resident aliens, the IRS requires 30% withheld for federal tax.

Distribution

- ◆ Deferred income and investment earnings distributed from RSA-1 will be taxed to you or your beneficiary as ordinary income in the year of distribution. RSA-1 payments to you and your beneficiaries are reported on a form 1099R in the year of distribution. There is no penalty for early distribution from a Section 457 Deferred Compensation Plan such as RSA-1 regardless of your age at the time of distribution.
- ◆ For amounts deferred in 1996 and prior years, the principal and interest are subject to federal income tax upon distribution, while only interest is subject to state of Alabama income tax upon distribution.
- ◆ For amounts deferred in 1997 and years thereafter, the principal and interest are subject to federal and state of Alabama income tax upon distribution.
- ◆ Principal distribution from the DROP rollover account is not subject to state of Alabama income tax.

Forms

Enrollment

- ◆ RSA-1 ENROLLMENT (Submit to RSA-1)
- ◆ BENEFICIARY DESIGNATION (Submit to RSA-1) – Can also be used for change of beneficiary.
- ◆ INVESTMENT OPTION ELECTION FOR NEW ACCOUNTS (Submit to RSA-1)
- ◆ AUTHORIZATION TO DEFER COMPENSATION (Submit to your payroll office)

BENEFICIARY DESIGNATION RSA-1 & PEIRAF

Type of Account: <input type="checkbox"/> PEIRAF <input type="checkbox"/> RSA-1
--

Retirement Systems of Alabama
 P. O. Box 302150 ♦ Montgomery, AL 36130-2150
 334-517-7000 or 877-517-0020
www.rsa-al.gov

Name _____
First Middle/Maiden Last

Address _____
Street or P. O. Box

City State Zip Code

Social Security Number _____ **Phone Number** _____

() **Check if Beneficiary information is continued on the back of this form.**

DESIGNATION OF PRIMARY BENEFICIARY(IES)

I hereby designate the following person(s) as my primary beneficiary(ies) to receive any benefit that may become due at or after my death according to the terms of the Plan.

Name: _____ Relationship: _____ Date of Birth: _____
mm/dd/yyyy

Social Security Number Address: Street or P. O. Box City State Zip Code

Name: _____ Relationship: _____ Date of Birth: _____
mm/dd/yyyy

Social Security Number Address: Street or P. O. Box City State Zip Code

Name: _____ Relationship: _____ Date of Birth: _____
mm/dd/yyyy

Social Security Number Address: Street or P. O. Box City State Zip Code

DESIGNATION OF CONTINGENT BENEFICIARY(IES)

In the event the primary beneficiary(ies) does **not** survive me, I hereby designate the following person(s) as my contingent beneficiary(ies) to receive any benefit that may become due at or after my death according to the terms of the Plan.

Name: _____ Relationship: _____ Date of Birth: _____
mm/dd/yyyy

Social Security Number Address: Street or P. O. Box City State Zip Code

Name: _____ Relationship: _____ Date of Birth: _____
mm/dd/yyyy

Social Security Number Address: Street or P. O. Box City State Zip Code

Name: _____ Relationship: _____ Date of Birth: _____
mm/dd/yyyy

Social Security Number Address: Street or P. O. Box City State Zip Code

Signature _____ **Date** _____

STATE OF _____, COUNTY OF _____

Before me appeared _____, known to me to be the person who subscribed to the foregoing instrument on this _____ day of _____, 20____.

Seal

Signature of Notary Public _____

My Commission Expires _____

If completing this side of the form, do not forget to sign at the bottom.

Name _____ **Social Security Number** _____

MULTIPLE BENEFICIARIES DESIGNATION (Continued)

DESIGNATION OF PRIMARY BENEFICIARIES (Continued)

Name: _____ Relationship: _____ Date of Birth: _____
mm/dd/yyyy

_____ Address: _____
Social Security Number Street or P. O. Box City State Zip Code

Name: _____ Relationship: _____ Date of Birth: _____
mm/dd/yyyy

_____ Address: _____
Social Security Number Street or P. O. Box City State Zip Code

Name: _____ Relationship: _____ Date of Birth: _____
mm/dd/yyyy

_____ Address: _____
Social Security Number Street or P. O. Box City State Zip Code

Name: _____ Relationship: _____ Date of Birth: _____
mm/dd/yyyy

_____ Address: _____
Social Security Number Street or P. O. Box City State Zip Code

Name: _____ Relationship: _____ Date of Birth: _____
mm/dd/yyyy

_____ Address: _____
Social Security Number Street or P. O. Box City State Zip Code

DESIGNATION OF CONTINGENT BENEFICIARIES (Continued)

Contingent Beneficiaries will receive benefits only if all Primary Beneficiaries are deceased.

Name: _____ Relationship: _____ Date of Birth: _____
mm/dd/yyyy

_____ Address: _____
Social Security Number Street or P. O. Box City State Zip Code

Name: _____ Relationship: _____ Date of Birth: _____
mm/dd/yyyy

_____ Address: _____
Social Security Number Street or P. O. Box City State Zip Code

Name: _____ Relationship: _____ Date of Birth: _____
mm/dd/yyyy

_____ Address: _____
Social Security Number Street or P. O. Box City State Zip Code

Name: _____ Relationship: _____ Date of Birth: _____
mm/dd/yyyy

_____ Address: _____
Social Security Number Street or P. O. Box City State Zip Code

Signature* _____ **Date** _____

***Page two must be signed if any beneficiary information is submitted on this side of the form.**





**RSA-1 DEFERRED
COMPENSATION PLAN**
P. O. Box 302150
Montgomery, Alabama 36130-2150

www.rsa-al.gov