

The Landscape of Your Retirement

City of Mesa 457 Deferred Compensation Plan



Features and Highlights

Getting Started

What is a 457 deferred compensation plan?

A governmental 457(b) deferred compensation plan (457 plan¹) is a retirement savings plan that allows eligible employees to supplement any existing retirement and pension benefits by saving and investing pretax dollars through a voluntary salary contribution. Contributions and any earnings on contributions are tax deferred until money is withdrawn. Distributions are usually taken during retirement, when many participants are typically receiving less income and may be in a lower income tax bracket than while working. Distributions are subject to ordinary income tax.

What are the advantages of before-tax savings?

With tax-deferred savings, you pay no income taxes on any contributions or any earnings until you withdraw the money. This leads to the potential benefit of compounding — i.e., potentially generating returns on money on which you would have paid in taxes if those taxes had not been deferred. Any earnings are reinvested in your account, where they have the potential for continued growth because they are not reduced by taxes each year. If you expect to be in a lower tax bracket when you retire, you might want to consider contributing to your Plan on a before-tax basis. You won't pay taxes on your contributions or any earnings on your contributions until you take a distribution, which is usually at retirement (when many people expect their retirement earning power and tax burden to be lower than they are today).

What are the advantages of Roth savings?

Roth contributions are made with after-tax dollars. Roth 457 contributions reduce your take-home pay slightly more than before-tax contributions, because you pay taxes on your Roth 457 contributions up front, rather than deferring those taxes until you take a distribution.

The Roth 457 option essentially locks in today's tax rates on all contributions. For some people — especially those who expect to be in a higher tax bracket when they retire — the Roth 457 option may make the most sense. If you're one of those people, the Roth option allows you to pay taxes on your contributions when they are contributed (presumably at a lower tax rate than you would expect to pay at retirement).

Why should I participate in the Plan?

Your City of Mesa 457 Deferred Compensation Plan can be an excellent tool to help make your future more secure.

You may want to participate if you are interested in saving and investing additional money for retirement and/or reducing the amount of current state and federal income tax you pay each year. Full-time employees who have completed one year of service and are actively contributing to the Plan are eligible to receive an annual matching contribution of a percentage of their base pay from the City. See your Plan Document for more details.

You may also qualify for a federal income tax credit by participating in this Plan. For more information about your eligibility for this tax credit, please contact your tax advisor.

Is there any reason why I should not participate in the Plan?

Participating may not be advantageous if you are experiencing financial difficulties, have excessive debt, or do not have an adequate emergency fund (typically in an easy-to-access account).

Who is eligible to enroll?

All current full-time and part-time benefited employees of the City of Mesa are immediately eligible to participate in the Plan.

How do I enroll?

Complete the appropriate enrollment forms, indicating the amount you wish to contribute, your investment option selection(s), and your beneficiary designation(s). These are available from your Payroll office and on the Plan website at www.mesadcp.com.² Please return the form(s) to your Empower Retirement representative.

What are the contribution limits?

The minimum pretax contribution to the Plan from your paycheck is \$10. In 2017, the maximum contribution amount is 75% of your compensation, less any mandatory before-tax contributions to a governmental pension plan, or \$18,000, whichever is less. The maximum pretax contribution limit may be indexed in \$500 increments after 2017.

Participants in the 457 Plan have two different opportunities to catch up and contribute more during the final years of their career. The Standard Catch-up allows participants in the three calendar years prior to normal retirement age to contribute more to the 457 Plan (up to double the annual contribution limit — \$36,000 in 2017).

The additional amount that you may be able to contribute under the Special Catch-up option will depend upon whether you took full advantage of your contribution limits in prior years.

Also, participants turning age 50 or older in 2017 may contribute an additional \$6,000 per year. However, you may not use the Special Catch-up provision and the Age 50+ Catch-up provision in the same year.

Questions? Please visit the website at www.mesadcp.com
or contact your local Empower Retirement representative at (480) 734-1461
or call the voice response system at (800) 701-8255.



What are my investment options?

A wide array of core investment options are available through your Plan. Each option is explained in further detail in your Plan's fund data sheets. Investment option information is also available through the website at www.mesadcp.com and the voice response system toll free at **(800) 701-8255**. The website and the voice response system are available to you 24 hours a day, seven days a week.² A voice response system representative is available between 6 a.m. and 5 p.m. Pacific time, Monday through Friday (excluding holidays).

In addition to the core investment options, an optional Self-Directed Brokerage Account is available through Charles Schwab Personal Choice Retirement Account® (PCRA). The PCRA allows you to select from numerous mutual funds for additional fees.

These securities are not offered through GWFS Equities, Inc. The PCRA is intended for knowledgeable investors who acknowledge and understand the risks associated with the investments contained in the PCRA.

Managing Your Account

How do I keep track of my account?

Empower Retirement will mail you a quarterly account statement showing your account balance and activity unless you elect to receive your statement electronically. You can check your account balance and move money among investment options on the website, anytime, at www.mesadcp.com or by calling the voice response system at **(800) 701-8255**.² If you have chosen to participate in the Self-Directed Brokerage Account, you will also receive quarterly statements on your PCRA from Charles Schwab that will detail the investment holdings and activity within your PCRA, including any fees and charges imposed in connection with the PCRA. Charles Schwab will send you a monthly statement if you have account activity in any given month.

How do I make investment option changes?

Use your passcode and username to access the website, or you can use your Social Security number and passcode to access the voice response system.³ You can move all or a portion of your existing balances among investment options (subject to Plan rules) and change how your payroll contributions are invested.

How do I make contribution changes?

Fill out a paycheck Contribution Election Form available from your Empower Retirement representative or Payroll office, through the voice response system or on the Plan website at www.mesadcp.com.² Return the completed, signed form to the Payroll office.

Rollovers⁴

May I roll over my account from my former employer's plan?

Yes, but only approved balances from an eligible governmental 457(b), 401(k), 403(b) or 401(a) plan or an Individual Retirement Account (IRA) may be rolled over to the Plan. Please check with your Empower Retirement representative regarding any applicable fees on the rollover account.

May I roll over my account if I leave employment with my current employer?

If you sever employment with your current employer, you may roll over your account balance to another eligible governmental 457(b), 401(k), 403(b) or 401(a) plan if your new employer's plan accepts such rollovers. You may also roll over your account balance to an IRA.

Please keep in mind that if you roll over your 457 Plan balance to a 401(k), 403(b) or 401(a) plan or an IRA, distributions taken before you reach age 59½ may also be subject to the 10% early withdrawal federal tax penalty. Please contact your Empower Retirement representative or your tax advisor for more information.⁵

Vesting

When am I vested in the Plan?

Vesting refers to the percentage of your account you are entitled to receive from the Plan upon the occurrence of a distributable event. Your contributions to the Plan and any earnings they generate are always 100% vested (including rollovers from previous employers). All contributions from the City are also immediately 100% vested.

Distributions

When can I receive a distribution from my account?

Qualifying distribution events are as follows:

- Retirement
- Permanent disability
- Foreseeable emergency (as defined by the Internal Revenue Code)
- Severance of employment (as defined by the Internal Revenue Code provisions)
- Attainment of age 70½
- Death (your beneficiary receives your benefits)
- In-service transfer to purchase service credit

Each distribution may be subject to ordinary income tax except for an in-service transfer to purchase service credit.

What are my distribution options?

1. Leave the value of your account in the Plan until a future date.
2. Depending on the terms of your Plan, you may be able to receive payment in one of the following forms:
 - Periodic payments
 - Fixed annuity payments (annuities are offered through Great-West Life & Annuity Insurance Company)
 - Partial lump sum with remainder paid as periodic payments or annuity payments
 - A lump sum
3. Roll over your account balance to an eligible governmental 457(b), 401(k), 403(b) or 401(a) plan or to an IRA.⁴

What happens to my account when I die?

Your designated beneficiary(ies) will receive the remaining value of your account, if any. Your beneficiary(ies) must contact an Empower Retirement representative to request a distribution.

Fees

Are there any recordkeeping or administrative fees to participate in the Plan?

There are currently no explicit recordkeeping or administrative services fees charged to participants for the Plan.

Are there any fees for the investment options?

Each investment option has an investment management fee that varies by investment option.

These fees are deducted by each investment option's management company before the daily price or performance is calculated. Fees pay for trading individual securities in the underlying investment options and other management expenses. Funds may impose redemption fees on certain transfers, redemptions or exchanges.

Asset allocation funds may be subject to a fund operating expense at the fund level, as well as prorated fund operating expenses of each underlying fund in which they invest. For more information, please refer to the fund prospectus.

There are additional fees of \$12.50 per quarter and/or transaction fees to participate in the PCRA.

Are there any distribution fees?

For the Plan there are no distribution fees. Before making a distribution, contact your Empower Retirement representative to get more information.

Loans

May I take a loan from my account?

Your Plan allows you to borrow the lesser of \$50,000 or 50% of your total account balance. The minimum loan amount is \$1,000, and you have up to five years to repay your loan — up to 15 years if the money is used to purchase your primary residence. A \$50 origination fee is also deducted from the loan proceeds for each loan, plus an ongoing annual fee of \$25, which is deducted from your account at \$6.25 quarterly. The interest rate you must pay back is the Prime Lending Rate declared in *The Wall Street Journal* on the first business day of the month in which the loan is processed plus 1%. This amount is fixed for the life of the loan.

Investment Assistance

Can I get help with my investment decisions?

Employees of Empower Retirement and the City of Mesa cannot give investment advice.

Financial calculators and tools provided on the website can help you determine which investment options might be best for you if you would like to construct your Plan account yourself.

Your Plan has a service called Empower Retirement Advisory Services that can manage your account for you.

What is Empower Retirement Advisory Services?

You can have Advised Assets Group, LLC (AAG), a registered investment adviser, manage your retirement account for you. Or if you prefer to manage your retirement account on your own, you can use the Online Investment Guidance and Online Investment Advice tools. These tools and services provide a retirement strategy based on your investment goals, time horizon, and tolerance for risk.

For more detailed information, please visit your Plan's website at www.mesadcp.com; enter your username and passcode, then click on the Advisory Services tile. You may also call the voice response system at **(800) 701-8255**.²

What fees do I pay to participate in Empower Retirement Advisory Services?

There is no cost to use Online Investment Guidance or Online Investment Advice.

If you choose to have AAG manage your account for you, the annual Managed Account fee will be assessed to your account in quarterly installments based on a percentage of your account balance, as follows:

Participant Account Balance	Annual Managed Account Fee
Less than \$100,000	0.45%
Next \$150,000	0.35%
Next \$150,000	0.25%
Greater than \$400,000	0.15%

For example, if your account balance is \$50,000, the maximum annual fee will be 0.45% of the account balance. If your account balance is \$500,000, the first \$100,000 will be subject to a maximum annual fee of 0.45%; the next \$150,000 will be subject to a maximum annual fee of 0.35%; the next \$150,000 will be subject to a maximum annual fee of 0.25%; and any amounts over \$400,000 will be subject to a maximum fee of 0.15%.

There is no guarantee that participation in any of the advisory services will result in a profit or that the account will outperform a self-managed portfolio invested without assistance.

Employer Contributions

Plan participants who have been enrolled for one year are eligible to receive 0.5% of their salary in an employer contribution. For more information, contact your Empower Retirement representative.

How do I get more information?

Visit the website at www.mesadcp.com or call the voice response system toll free at **(800) 701-8255** for more information.² The website provides information regarding your Plan, financial education information, financial calculators, and other tools to help you manage your account.

You may also call your local Empower Retirement representative at **(480) 734-1461**.



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www.mesadcp.com² • voice response system: **(800) 701-8255**²

This material has been prepared for informational and educational purposes only. It is not intended to provide, and should not be relied upon for, investment, accounting, legal or tax advice.

If there are any discrepancies between this document and the Plan Document, the Plan Document will govern.

- 1 All references to the 457 Plan are to a governmental 457(b) plan.
- 2 Transfer requests made via the website and/or the voice response system received on business days prior to close of the New York Stock Exchange (4 p.m. Eastern time or earlier on some holidays or other special circumstances) will be initiated at the close of business the same day the request was received. The actual effective date of your transaction may vary depending on the investment option selected.
- 3 The account owner is responsible for keeping the assigned PIN/passcode confidential. Please contact Empower Retirement immediately if you suspect any unauthorized use.
- 4 You are encouraged to discuss rolling money from one account to another with your financial advisor/planner, considering any potential fees and/or limitations of investment options.
- 5 Representatives do not offer or provide legal or tax advice. Please consult with your attorney and/or tax advisor as needed.

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

GWFS Equities, Inc., Member FINRA/SIPC, is a wholly owned subsidiary of Great-West Life & Annuity Insurance Company.

Securities available through Schwab Personal Choice Retirement Account® (PCRA) are offered through Charles Schwab & Co., Inc. (Member SIPC), a registered broker-dealer. Additional information can be obtained by calling (888) 393-7272. Charles Schwab & Co., Inc. and GWFS Equities, Inc. are separate and unaffiliated.

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