



Learn more about your section 457(b) Deferred Compensation Plan catch-up contribution limits

Why catch up?

If you are over age 50 or getting close to normal retirement age, you might be feeling a little behind on your retirement savings. Fortunately, the federal government makes it easier for people to catch up on their savings at a faster rate by providing two catch-up provisions: Age 50+ and Special. Taking advantage of a catch-up option not only allows you to save at an accelerated rate, it also lowers your taxable income. That means more money in your pocket!

Age 50+ Catch-Up

You may already know that in 2016, all Alabama Deferred Compensation participants can contribute a maximum of 100% of includible compensation to the Alabama Deferred Compensation Plan, not to exceed the IRS limit of \$18,000. However, if you are age 50 or older during the 2016 calendar year, you can take advantage of the Age 50+ Catch-Up provision and contribute an additional \$6,000 to the Alabama Deferred Compensation Plan. Your date of birth will determine whether you qualify to use this option.

Special Catch-Up

If you are within three years of your normal retirement age and under-contributed in prior years, you may use the Special Catch-Up provision, which allows you to contribute up to an additional \$18,000 in 2016. This amounts to a total possible maximum contribution of \$36,000. In order to use the Special Catch-Up option, you must not have contributed the maximum amount in previous years of eligibility.



2016 Catch-Up Options

Age 50+ Catch-Up	Special Catch-Up
For participants age 50 and older during the 2016 calendar year	For participants within three years of normal retirement age
Allows you to contribute an additional \$6,000	Allows you to contribute up to an additional \$18,000
No application required	Application available from the local Montgomery office
Maximum total: \$24,000	Maximum total: \$36,000
Note: You cannot use both options in the same year.	



To take advantage of Special Catch-Up in any calendar year, there are five important elements to consider:

1. **Irrevocable Election** - The Special Catch-Up is a once-in-a-lifetime opportunity and can be utilized up to a maximum of three consecutive years. Once you begin, you have three consecutive years to complete your catch-up contributions. *Example:* You make your first catch-up contributions in year one. You decide to skip year two. You can resume in year three. Once the three-year period ends, you lose the ability to make Special Catch-Up contributions for remaining under-utilized amounts.
2. **Under-Utilized Amounts** - In order to qualify for the Special Catch-Up provision, you must have under-utilized contributions with the same employer from previous years. *Example:* If you were eligible to contribute \$17,500 for calendar years 2014 and \$18,000 for 2015, and only contributed \$10,000 in each year, you would be eligible to catch up on \$15,500 in contributions.
3. **Normal Retirement Age (NRA)** - Under 457 law, you are allowed to declare your own NRA. When declaring your NRA, you cannot elect an age that is younger than when you would be eligible to receive an unreduced pension benefit from the State of Alabama, nor can you elect an age greater than 70½. *Example:* If you were eligible to receive an unreduced benefit at age 62, then your NRA could be age 62 or older up to age 70½. A participant's election of an NRA is irrevocable once contributions have been made utilizing the Special Catch-Up. Election of your NRA for catch-up purposes has nothing to do with when you actually plan to retire.
4. **Catch-Up Contributions** - You are allowed to make catch-up contributions in the three calendar years prior to your NRA. *Example:* If your NRA is 62, then you may make catch-up contributions in the years when you are age 59, 60 and 61. You cannot make catch-up contributions in the calendar year in which you reach your NRA.
5. **Deferring Accrued Sick and Vacation Pay Using the Special Catch-Up** - Your NRA must be at least one year later than the year in which the accrued sick and vacation pay will be paid. *Example:* If you plan to sever employment at age 66 and your accrued sick and vacation pay will be paid in January when you are 67, then your NRA year must be the year you turn 68 or older, but no later than age 70½.

May I use both catch-up options at the same time?

No. The Age 50+ Catch-Up provision and the Special Catch-Up provision cannot be used in the same calendar year. If you are eligible for both catch-up options, you may use the one offering the higher benefit. In addition, you may not use the Special Catch-Up option in the year you reach normal retirement age.

How do I change my contribution amount?

To change your contribution amount, please complete the Salary Deferral Agreement form available at www.AlabamaRetire.com¹ and return it to your payroll administrator.

How do I get more information on catch-up contributions?

You can obtain information regarding catch-up contribution provisions, including our contribution worksheet, by calling the local Alabama Deferred Compensation office at (334) 240-0057 during regular business hours, 8:30 a.m. to 5:00 p.m., Monday through Friday.²

¹ Access to the voice response system and/or website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

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