

SMART Plan

Update

FALL 2013 VOL 10, NO 3

EDUCATE

YOUR 457 DEFERRED COMPENSATION PLAN NEWSLETTER

FOR MORE INFO GO TO: WWW.MASS-SMART.COM

Next Step: Retirement

Part 2 - Strategies for Improving Your Retirement Readiness

In Part 1 of this series, we discussed the importance of understanding your retirement budget and income needs—and how factors such as longevity, healthcare costs, and inflation can affect your retirement plans. Now we're turning our attention to some of the strategies you can adopt today to improve your retirement readiness.

First, let's take a closer look at the term "retirement readiness." For our purposes, retirement readiness refers to how well your projected retirement income matches your retirement income goals. The SMART Plan is designed to help you improve your retirement readiness by allowing you to save and invest for retirement on a pre-tax basis. Your contributions come out of your paycheck *before* taxes are deducted. But saving is just the first step toward retirement readiness. You'll also want to keep in mind the following:

- **Monitor and manage investment risk** – It's a good idea to reassess your investment risk tolerance each year. Reallocating your portfolio to be more conservative is a sound strategy that may help you protect the retirement savings you've worked so hard to build. If you don't have the time, desire or experience to build and monitor your own portfolio, the SMARTPath Funds offer a professionally managed, diversified portfolio with a changing asset allocation based on your planned retirement date.¹
- **Stay in the SMART Plan** – Your SMART Plan account can be a lifelong retirement planning resource, even if you change employers or retire from service. By keeping your account, you maintain your access to the investments, planning tools, and support that are available only through the SMART Plan.

¹ Asset allocation and diversification does not ensure a profit and does not protect against loss in declining markets.

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A LETTER FROM TREASURER STEVEN GROSSMAN

Dear SMART Plan Participant,

This issue of the SMART Plan newsletter offers insightful articles to help participants get the most out of their investments. As always, we stand ready to work with you – our customers – to help attain an enjoyable and comfortable retirement.

As part of our efforts to better serve Plan participants, we are adding three new underlying funds to the SMARTPath Retirement Funds beginning October 31, 2013. The new funds, Emerging Market Debt Fund, Emerging Market Equity Fund, and Real Return Fund, will offer further built-in diversification to help manage risks related to market volatility and inflation.

The Plan will also launch a 457 Roth option later this year. This after-tax option will offer participants the flexibility to designate a portion of their 457 elective deferrals as Roth contributions for their retirement. More information about this soon-to-be-available investment option and the three new underlying funds can be found at www.mass-smart.com.

We are excited about these new Plan enhancements, and I encourage you to take advantage of the many services that make the SMART Plan a great choice for retirement savings. Our SMART Retirement & Beyond Seminars, the easy-to-use online Retirement Income Control Panel, and a growing number of investment options are available to every Plan participant, and we hope that you will utilize these benefits.

The SMART Plan website, www.mass-smart.com, offers you one-stop shopping to find forms, manage your account, upgrade your deferral contribution, or get a personalized snapshot of your retirement savings progress. If there are any issues that you can't resolve on the website, please feel free to contact a service representative at (877) 457-1900. Our goal is to ensure that your experience with the SMART plan is a good one, and that you make informed decisions as you work toward your retirement goals.

Thank you for taking the time to review the information in this newsletter, and thank you for your continued interest and investments in the SMART Plan.

Sincerely,



STEVEN GROSSMAN
SMART PLAN PARTICIPANT,
STATE TREASURER & RECEIVER
GENERAL



Upcoming SMART Plan Enhancements

To continue to meet the varied retirement needs and objectives of our participants, the SMART Plan is making some additions to the fund lineup. The following three sub-asset classes will soon be added:

- A Real Return fund will be added to your fund lineup.²
- Emerging Markets Equity, Emerging Markets Debt and a Real Return fund will become underlying investments in the SMARTPath Funds.³ You will not be able to invest directly in the Emerging Markets Equity and Emerging Markets Debt options.

Stay tuned for more information.

Next Stop: Retirement (continued)

- **Avoid early withdrawals** – Making an early withdrawal from your SMART Plan account is like hitting the pause button on your retirement readiness preparations. Not only will you pay ordinary income taxes on your withdrawal, you'll also face the loss of compounded growth potential that your savings could generate by staying in your account.
- **Understand your distribution options** – You'll have a choice to make when the time comes to make a withdrawal from your account. You can arrange for a complete withdrawal of your entire balance; partial withdrawals; automatic monthly, quarterly, semi-annual or annual withdrawals for a specific length of time or a specific amount; or automatic required minimum distributions. Assuming you don't make a complete withdrawal, you may also choose to combine several of the options in any single year, depending on your needs.

If you're interested in improving your retirement readiness, the Retirement Income Control Panel on the SMART Plan website is a great place to start. The Control Panel uses information on your account balance, your contribution amount, your current age, and your expected retirement age to calculate a projected monthly after-tax income. It also features a customized future withdrawal plan that can help you clarify how best to use your various retirement income sources for each year of your retirement.

Visit the Plan's website today and check it out. Retirement readiness may be just a couple mouse clicks away.

Meet Your New Investment Advisor Representative:

JOHN MOHAN



The SMART Plan is pleased to introduce your new Field Investment Advisor Representative, John Mohan. John's focus is to assist participants with their retirement planning through an integrated approach of investment management and ongoing financial planning. He is passionate about helping participants realize their personal financial goals by creating a tailored strategy to meet their desired objectives.⁴

Call the SMART Plan at **(877) 457-1900** or email **John.Mohan@greatwest.com** if you would like to set up a time to meet with John to discuss your account options and other retirement fulfillment strategies.

² The value of commodity-linked investments may be affected by financial factors, political developments and natural disasters. As such, investment options that invest primarily in commodities may experience greater volatility than investments in traditional securities.

³ The date in a target date fund's name represents an approximate date when an investor is expected to retire (which is assumed to be at age 65) and/or begins withdrawing money. The principal value of the funds is not guaranteed at any time, including the target date. Asset allocation and balanced investment options and models are subject to the risks of the underlying funds, which can be a mix of stocks/stock funds and bonds/bond funds. For more information, please refer to the disclosure document.

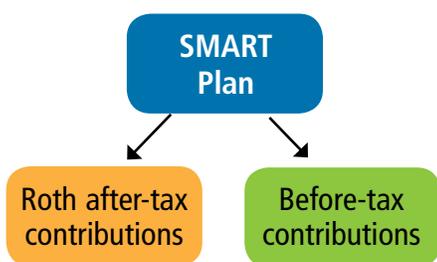
⁴ John Mohan is an employee of Advised Assets Group, LLC (AAG), a federally registered investment adviser.

SMART Plan Roth

Coming Soon

What is the 457 Roth?

The 457 Roth allows you to contribute to your SMART Plan with after-tax dollars. No taxes are withheld from your Roth contributions or any earnings when you take a distribution *as long as you have held the Roth account for five years and have a qualifying reason*. You can designate up to the maximum allowable amount of your 457 Plan contributions to the Roth.



How do I know which option is right for me?

The Roth feature allows you to pay taxes on your contributions when they are contributed. The 457 Roth essentially “locks in” today’s tax rates on all contributions. If you expect to be in a higher tax bracket when you retire, then Roth contributions may also make sense.

If you have more questions or would like additional information about the 457 Roth, please contact a SMART Plan representative at (877) 457-1900.

How much can I contribute to my Roth account?

You may contribute a maximum of \$17,500 to your SMART Plan account.⁵ That includes both before-tax and after-tax contributions. Employees 50 years of age or older may contribute up to \$23,000.⁵

Are there additional fees to participate in the Roth feature?

No.

Can I roll over other Roth accounts to my SMART Plan Roth account?

Yes. The SMART Plan accepts rollovers from other designated Roth 401(k), Roth 457, or Roth 403(b) plans.⁶

Can I leave my money in my SMART Plan Roth account?

Yes, until you reach age 70½, when you must begin to take your Required Minimum Distribution (RMD). The government requires that you begin taking an RMD (unless you are still working for a participating agency).

When can I take my Roth money out of my 457 Plan?

You can take the money from your Roth account when the account has been established for at least five tax years and you either:

- Reach age 59½,
- Retire
- Separate from service, or
- Become disabled.

If you take a distribution before you’ve held the Roth monies for five years, your earnings will be subject to ordinary income tax.

Can I withdraw the principal of my after-tax contributions without a qualifying event?

No. You must meet a qualifying reason to withdraw your money.

Are there any limitations on a participant's income as it relates to his or her eligibility to participate in the Roth?

There are no income limitations on participants as it relates to their eligibility to make Roth contributions to the SMART Plan. However, annual contribution limits do apply.

Please consider the investment objectives, risk, fees and expenses carefully before investing. For this and other important information you may obtain mutual fund prospectuses for registered investment options and/or disclosure documents from your Registered Representative. For prospectuses related to investments in your Self-Directed Brokerage (SDB) account, contact your SDB provider. Read them carefully before investing.

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

⁵ Contribution limits are subject to increase annually according to the IRS.

⁶ 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.

SMART Retirement and Beyond

Join us for "SMART Retirement & Beyond," a retirement planning seminar series for Massachusetts state employees, sponsored by State Treasurer Steven Grossman, the State Board of Retirement, and the SMART Plan.

The seminar series is designed to provide you with the information and tools needed to help you achieve a financially secure retirement. Representatives from the Group Insurance Commission will be on hand to answer questions. To register for any of the seminars listed, visit www.mass.gov/retirement.

All seminars take place from 6:00 p.m. to 8:00 p.m., *except for the seminar at the State House location.*

Thursday, October 10	Fitchburg State University
Thursday, October 17	Holyoke Community College
Thursday, October 24	Greenfield Community College
Thursday, November 7	Roxbury Community College
Thursday, November 14	Berkshire Community College
Thursday, November 21	North Shore Community College
Wednesday, December 4	State House - Noon to 2:00 p.m.
Thursday, December 12	UMASS Lowell



GOT QUESTIONS? NEED ANSWERS?

SMART Plan Customer Service Center

Call us today at **(877) 457-1900**

Available Monday through Friday from 9:00 a.m. to 8:00 p.m. ET

Correspondence should only be directed to the Regional Service Center in Waltham.

Regional Service Center Waltham

255 Bear Hill Rd.
Waltham, MA 02451

Available Monday through Friday from 9:00 a.m. to 5:00 p.m.

Boston

One Winter Street, 8th Floor
Boston, MA 02108

Available Monday through Friday from 9:00 a.m. to 5:00 p.m.

Additional location on St. James Avenue

Call us today at **(877) 457-1900**

Available by appointment

Quincy

Call us today at **(877) 457-1900**

Available by appointment

Worcester

2 Chestnut Place / 22 Elm Street
Worcester, MA 01608

Available Monday and Thursday from 9:00 a.m. to 5:00 p.m.

Tuesday, Wednesday and Friday from 9:00 a.m. to 3:00 p.m.

Springfield

436 Dwight Street, Room 109
Springfield, MA 01103

Available Monday, Wednesday and Friday from 9:00 a.m. to 5:00 p.m.



To contact your local representative, call **(877) 457-1900**,

or go to www.mass-smart.com >

Contact Us > Find Your Local Representative.

A map of Massachusetts will appear. Click on the area code in which you work to find the name of your local representative.

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

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

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