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EDUCATE

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Next Step: Retirement

Part 3 - Your Pre-Retirement To Do List

In Part 1 of this series, we discussed the importance of getting an accurate picture of your retirement budget and income needs, with special attention on how longevity, healthcare costs, and inflation should factor into your planning process. In Part 2, we covered the topic of “retirement readiness” and the things you can do to make smart use of your SMART Plan account.

The final topic on the agenda is your pre-retirement to-do list. As you get closer to your retirement date, you’ll have a lot on your mind. The day you’ve been preparing and planning for is right around the corner. To make that transition easier, you may want to add the following items to your pre-retirement to-do list:

- Look into catch-up contributions
- Designate or update your beneficiary
- Clarify your spend-down plan
- Set an appointment to review your retirement strategy

Catch-Up Contributions

By participating in the SMART Plan, you’ve made it a priority to set aside a little from each paycheck for the future you want. But as many people approach retirement age, they wish they would have saved more. The IRS limits how much you can contribute to the Plan each year (in 2014, you can contribute a maximum of 100% of your includible compensation, not to exceed the annual IRS limit of \$17,500). But the good news is that with catch-up contributions, you may be able to supercharge your contributions in the run-up to your retirement date.

Catch-up contributions come in two forms: the Age 50+ Catch-Up and the Special Catch-Up.

- **Age 50+ Catch-Up*:** Beginning January 1, 2014, if you are age 50 or older during the 2014 calendar year, you may contribute an additional \$5,500. This amounts to a maximum contribution of \$23,000 for 2014.

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A LETTER FROM TREASURER STEVEN GROSSMAN

Dear SMART Plan Participant,

As we look forward to 2014, it is also rewarding to review the SMART Plan’s many accomplishments over the past year. We are excited about the addition of three new asset classes (emerging markets equity, emerging markets debt, and real return) to the Plan’s target date funds. These new options should provide participants with further diversification and new tax-deferred saving strategies over a long-term savings horizon.

We have also added each participant’s projected retirement income to all quarterly statements. This is a hypothetical illustration of how an individual’s SMART Plan balance might translate into monthly income upon retirement based on certain factors and assumptions. This forward-thinking feature, which allows participants to review their retirement readiness while still in the accumulation stage of their retirement savings, allows SMART Plan participants to make adjustments to their saving strategy to help ensure they reach their goals.

If adjustments do need to be made to your retirement approach, the Retirement Income Control Panel is a helpful web-based tool that helps you tailor those adjustments to your particular situation. This feature provides a gap analysis of one’s current projected retirement income versus their desired income replacement goal and suggests changes, such as an increased savings rate or adjustments to asset allocation, to help Plan participants stay on track.

Finally, the Plan will soon offer participants the opportunity to make post-tax contributions through the Roth 457 option. We are presently working with a host of payroll administrators to ensure all agencies are fully informed and ready to implement the Roth option for their employees on March 1, 2014.

These enhancements represent our ongoing commitment to provide all SMART Plan participants with the most flexibility possible and the very best industry advancements to ensure the success of their tax-deferred saving. The sound planning tools and diverse saving options that the Plan provides offer a solid foundation upon which to build your retirement goals.

Thank you for your continued interest and participation in the Massachusetts SMART Plan.

Sincerely,



STEVEN GROSSMAN
SMART PLAN PARTICIPANT,
STATE TREASURER & RECEIVER
GENERAL



Next Stop: Retirement *(continued)*

- **Special Catch-Up*:** You may be able to contribute an additional \$17,500 in 2014 during the three consecutive years prior to but not including the year you reach normal retirement age—if you have under-contributed to the SMART Plan or another employer-sponsored retirement plan in the past. This amounts to a maximum contribution of \$35,000 for 2014. If you elect to use the Special Catch-Up provision, you are not required to make the maximum allowable contribution.

Have questions about catch-up contributions and your eligibility? Call **(877) 457-1900** or go to www.mass-smart.com.¹

Beneficiary Designation

Designating a beneficiary is a little thing you can do today that will make someone's life easier tomorrow. Maybe you designated a beneficiary when you first enrolled, but your family situation has changed. Or maybe you put off that decision for another day. Whatever your circumstances, it's a good idea to log on to your account and to make sure your beneficiary designation is up to date. It's a quick and easy process, and it will give you a little peace of mind. For more information on how to update your beneficiary information, please log in to the website at www.mass-smart.com > My Profile > Beneficiary, or contact the SMART Plan Customer Service Center at **(877) 457-1900**.¹

Clarify Your Spend-Down Plan

Before you begin to make withdrawals from your account, you may want to do a little long-term planning for how you'll create a steady stream of retirement income. This is known as a "spend-down plan." Due to the impact of taxes and other considerations, it may make sense to rely more on different sources of retirement income at different times during retirement. In other words, it may be advantageous for you to regularly adjust the amount you withdraw from your SMART Plan account over the course of your retirement. The same applies to other retirement income sources you may have.

But don't worry. Developing a spend-down plan isn't as complicated as it sounds. In fact, the Retirement Income Control Panel on the SMART Plan website generates one for you automatically.² If you're enrolled in Reality Investing[®] Advisory Services, offered by Advised Assets Group, LLC (AAG), a federally registered investment adviser, you also get a spend-down plan as part of that service. Your Advised Assets Group, LLC field adviser representative, John Mohan, can also help you review your spend-down plan and offer solutions to your withdrawal strategy and asset allocation questions. For assistance, call John Mohan at **(877) 457-1900** or email John.Mohan@greatwest.com.³

There is no guarantee that participation in Reality Investing[®] Advisory Services will result in a profit or that your account will outperform a self-managed portfolio.

Schedule Time to Review Your Retirement Strategy

The SMART Plan has a dedicated retirement counselor, Linda Graham, who is dedicated to serving the needs of SMART Plan participants who are retired or nearing retirement. Chances are that if you have a question about retirement, Linda has the answer. She can help you prepare for a smooth transition into your retirement years.³ You can contact Linda at smart@greatwest.com to schedule a discussion.

Your field adviser representative, John Mohan, can also help you review your spend-down plan and offer solutions to your withdrawal strategy and asset allocation questions. You can contact John to schedule a discussion.

We hope you've enjoyed our series on preparing for retirement—and that you've learned a thing or two that can make your journey toward your own retirement day easier. Remember, the SMART Plan website has a wealth of information on how to get the most from your account, whether your retirement is a few weeks away or decades down the road. Just log on to www.mass-smart.com.

2014 Contribution Limits

CONTRIBUTION TYPE	2014 MAXIMUM LIMIT
Normal Contributions Contribute a maximum of 100% of your includible compensation, not to exceed the annual IRS limit.	\$17,500
Age 50+ Catch-Up* For participants age 50 or older during the 2014 calendar year.	\$5,500
Special Catch-Up* During the three consecutive years prior to but not including the year you attain normal retirement age, you're eligible if you have under-contributed to the SMART Plan or another employer-sponsored retirement plan in the past.	\$35,000

* You may not use the Special Catch-Up provision and the Age 50+ Catch-Up provision in the same year.

Roll It in to Make Tracking Easier⁴ And to stick with your retirement strategy

Keeping track of your retirement savings is easier when you consolidate your accounts. If you left behind a retirement account in your former employer's plan, consider moving the money into the SMART Plan.⁵ Why?

- Think "out of sight, out of mind": It is all too easy to lose track of your account and its performance once you have moved on.
- You run the risk of misplacing the employer's address and the contact person's name, which can make it difficult to manage your account or access the funds when you need them.
- You have access to a wealth of educational resources and a diverse lineup of investment options available to you in the SMART Plan.

Don't Lose Your Focus

It is easy to lose focus when you leave your retirement account in a former employer's plan. You may concentrate only on the plan you have now, forgetting to include your other accounts in your overall strategy. When you fail to consider all of your retirement money as part of one puzzle, your strategy may not work out as you expect.

CASH IT OUT OR ROLL IT OVER?

You may have read cautions about cashing out your retirement accounts, even when the balance is small. Here's why.

One, if you are under 59½ you may be required to pay a 10% penalty tax⁶ on top of the income tax that will be due on the amount you receive. And two, you miss out on the potential future investment earnings your balance may have enjoyed.

Here's an example. Chris and Terry are both 25 and are moving on to new jobs. Each has accumulated \$2,000 in a retirement account. Chris takes his balance out and spends it; Terry moves her balance into her new employer's retirement plan.

From the \$2,000 withdrawal, Chris will have to pay a \$200 penalty tax⁶ along with \$460 ordinary income tax, based on his 15% federal and 8% state tax brackets. His net distribution is \$1,340.

Terry moves the \$2,000 directly into the new plan, so she does not have to pay income or penalty taxes. Assuming a 5% rate of return until age 65, Terry's \$2,000 may be worth more than \$14,000 at retirement.

FOR ILLUSTRATIVE PURPOSES ONLY. This hypothetical illustration does not represent the performance of any particular investment options. It assumes a 5% annual rate of return and reinvestment of earnings, with no withdrawals. Rates of return may vary. The illustration does not reflect any charges, expenses or fees that may be associated with your plan. The tax-deferred accumulation shown above would be reduced if these fees had been deducted.

SMART Retirement and Beyond

Join us for "SMART Retirement & Beyond," a retirement planning seminar series for Massachusetts state employees, sponsored by the Office of the State Treasurer, 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. This seminar is being provided to you at the request of your Plan Sponsor. For additional information concerning this material, please contact State Treasurer Steven Grossman. State Treasurer Steven Grossman and the State Board of Retirement are not affiliated with Great-West Life & Annuity Insurance Company nor any of its subsidiaries and/or affiliates. Neither Great-West Life & Annuity Insurance Company nor any of its subsidiaries and/or affiliates have reviewed or approved these materials.

All seminars take place from 6:00 p.m. to 8:00 p.m.

Thursday, February 13	Cape Cod Community College
Thursday, February 27	Roxbury Community College
Thursday, March 6	UMASS Lowell
Thursday, March 13	Holyoke Community College
Thursday, March 20	Massasoit Community College
Thursday, March 27	Bridgewater State College

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

² The Retirement Income Control Panel is an educational tool that provides hypothetical information for illustrative purposes only. It is not intended to provide financial planning or investment advice. The Retirement Income Control Panel is brought to you by Advised Assets Group, LLC, a registered investment adviser. All rights reserved.

³ Representatives of GWFS Equities, Inc. are not registered investment advisors and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax advisor as needed.

⁴ 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.

⁵ Rollovers are subject to your Plan's provisions.

⁶ This penalty does not apply to 457 plan withdrawals.

Income Fund Name Change to SMART Capital Preservation Fund

Introducing Roth - March 1, 2014

On February 1, 2014, the SMART Plan will change the name of the Income Fund to the SMART Capital Preservation Fund. The Income Fund is the Plan's stable value investment option.

Of primary importance is the preservation of principal and earned interest. Secondary to the preservation of capital is the need to generate, over time, a composite yield in excess of short-term yields available in the fixed income marketplace. This initiative is simply a name change and will not result in a change in the fund's investment strategy or the underlying managers. No action on your part is required. The new name will more clearly represent the primary objective of the fund—capital preservation.

Please consider the investment objectives, risks, fees and expenses carefully before investing. For this and other important information about investments offered through your plan, you may obtain mutual fund prospectuses for registered investment options and/or disclosure documents from your registered representative or Plan website. For prospectuses related to investments in your Self-Directed Brokerage Account (SDBA), contact your SDBA provider. Read them carefully before investing.

The SMART Plan will start accepting Roth contributions, giving you the flexibility to designate all or a portion of your elective deferrals as Roth contributions.

Roth after-tax contributions and traditional before-tax deferrals each have advantages.

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 Roth 457 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 make sense.

How much can I contribute to my Roth account?

You may contribute a maximum of \$17,500 to your Program account in 2013. That includes both before-tax and after-tax contributions. Employees 50 years of age or older may contribute up to \$23,000.*

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

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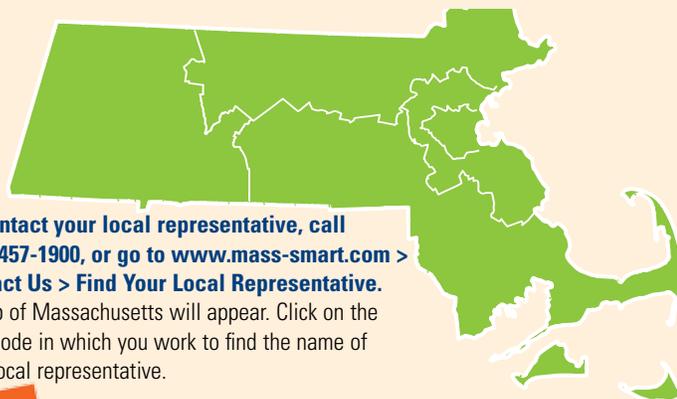
Call us today at **(877) 457-1900**
Available by appointment

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

One Financial Plaza
1350 Main Street, Suite 1005-D
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.

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

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