

Special Circumstances



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The Texa\$aver 401(k) and 457 Program

Required forms

Forms can be found on the Texa\$aver website at www.texasaver.com. Choose your Plan from the **Select an Option** drop-down menu, then click on **Forms** to find the form you need.

Or, you can call the Texa\$aver Information Line at (800) 634-5091 to have a form mailed to you.



Special Circumstances

Whether you're a new or current participant in Texa\$aver, you may find yourself needing to make decisions due to recent changes in your personal situation.

Do you find yourself thinking about taking any of the following actions?

1. Transferring money from a previous employer's plan to a Texa\$aver 401(k) or 457 Plan.
2. Moving your account balance from a prior 457 plan to the Texa\$aver 457 Plan.
3. Boosting your contribution levels now that you've celebrated your 50th birthday or are nearing retirement.
4. Making a service purchase from ERS or TRS.
5. Making a withdrawal to satisfy recent expenses from an unforeseen emergency.
6. Making administrative changes to your account due to changes in your personal situation such as marriage, divorce, death of a family member or the birth of a child.

Texa\$aver makes it as simple as possible for you to take action in no matter what circumstance you might find yourself. More information can be found below on the steps you need to take for each.

1. Transferring money from a previous employer's plan.

Rollovers and plan-to-plan transfers to Texa\$aver

If you have money in a previous employer's 401(k) or 457 Plan, you can transfer or consolidate your accounts into the respective Texa\$aver Plan. You may also roll over all or a portion of the amount currently invested in an Individual Retirement Account (IRA) to the Texa\$aver 401(k) Plan, provided that the entire balance in the IRA is attributable to pre-tax contributions and earnings.

Consolidating your accounts to the Texa\$aver Program will simplify record keeping and give you access to all its features and benefits. To transfer funds, complete a 401(k) Rollover Form or a 457 Plan-to-Plan Transfer Form, both of which can be found in the **Forms** section of the Texa\$aver website. Your former retirement plan or IRA custodian can provide you with a Tax Distribution Statement that will certify the amount of tax-paid and tax-deferred money and that the distribution is being rolled over from an eligible plan.

Three easy steps to completing a rollover or transfer to Texa\$aver.

1. Request a Tax Distribution Statement from your former plan.
 2. Request a distribution from your former plan payable to: State Street Bank. The rollover check must be made payable to State Street Bank to avoid any withholding tax implications.
 3. Complete the Texa\$aver 401(k) Rollover or 457 Plan-to-Plan Transfer Form and mail it, with your check, to the ING address shown on the form.
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2. Moving account balances from a prior 457 Plan

Transferring prior 457 funds

If you have an account balance in the prior 457 plan, visit the ERS website at www.ers.state.tx.us to download a Prior Funds Transfer Form to initiate your funds transfer. Check with your prior plan's provider to see if you will pay surrender fees before you move your funds.

3. Boosting contribution amounts via catch-up provisions

401(k) and 457 Plan participants

Age 50 and over Catch-Up Contributions

When you turn 50 you can contribute additional "catch-up" contributions to your 401(k) or 457 Plan accounts or both. You can change or stop your contributions anytime at www.texasaver.com or by calling Texa\$aver at (800) 634-5091.

Retirement Savings Annual Limits

YEAR	MAXIMUM ANNUAL DEFERRAL	AGE 50 & OVER CATCH-UP*	THREE-YEAR 457 CATCH-UP*
2007 and beyond**	\$15,500	\$20,500	\$31,000
* Cannot be used at the same time.			
** In 2008 and thereafter, these amounts will be adjusted for inflation.			

457 Plan participants

Three-Year Catch-Up Provision

457 Plan participants who in previous years have deferred less than the maximum to the Plan can take advantage of a three-year window before retirement to save additional funds. You must be within three years of "normal retirement age" to be eligible for this by the IRS provision. (Normal retirement age is the age at which you become eligible to retire under the ERS/TRS pension plan, without having an actuarially reduced retirement.) The maximum three-year catch-up contribution allowed is double the otherwise applicable limit. You may use the three-year catch-up for three consecutive calendar years. **You cannot participate in the Age 50 and Over Catch-Up and Three-Year Catch-Up provisions at the same time.**

To begin participation in the Three-Year Catch-Up Provision, submit a Catch-Up Provision Agreement Form directly to your benefits coordinator. You can find the catch-up form in the **Forms** section of the Texa\$aver website. To change your contribution amount for the Three-Year Catch-Up Provision in years two and three, you must contact Texa\$aver at (800) 634-5091 for assistance.

4. Purchasing service credit

You can use your Texa\$aver 401(k) or 457 Plan to purchase service credit before retirement. Military service, refunded ERS service or Additional Service Credit (ASC) can be purchased through a direct transfer of funds from the Texa\$aver Program to the pension plan with no tax consequences.

Certain restrictions may apply to your service credit purchase, and you must first receive a service purchase contract from ERS or TRS. Individuals invested in the 457 Plan can purchase service credit from ERS or TRS* at any time. Visit the ERS website at www.ers.state.tx.us or call ERS toll-free at (877) 275-4377 for more information. For questions about purchasing service credit from TRS, visit www.trs.state.tx.us.

* The Texa\$aver 401(k) cannot be used to purchase TRS service credits unless you have terminated service or are age 59½ or older.

5. Taking withdrawals

Although the primary function of the Texa\$aver Program is to save for retirement, it is understood that there are times when you may need access to your money. Each of the Texa\$aver Plans have slightly different withdrawal options and tax liabilities.

Texa\$aver 401(k) Plan withdrawals

There are two types of 401(k) withdrawals available while you are an active employee: over age 59½ withdrawals and hardship withdrawals.

Over age 59½ withdrawals

If you are age 59½ or older you may begin taking withdrawals from your account. No forms are required. You may initiate your request by calling the Texa\$aver Information Line at **(800) 634-5091**. This withdrawal is not subject to the 10% federal early withdrawal penalty tax; however a mandatory 20% will be withheld for federal income taxes unless the funds are rolled over to another qualified plan or IRA.

Hardship withdrawals (subject to approval)

You can withdraw money for the following reasons from your Texa\$aver 401(k) Plan:

- Purchase of your primary residence (excluding mortgage payments)
- Prevent eviction from or foreclosure on your primary residence
- Repair of damage to employee's principal residence that would qualify under Internal Revenue Code Section 165 to satisfy financial need
- Qualified post-secondary education expenses (tuition, room and board, and related educational expenses for up to 12 months)
- Pay for necessary non-reimbursed medical expenses (excludes non-prescription drugs, except insulin)
- Funeral expenses for parents, spouse, children, or other dependents.

Documentation of financial hardship must be provided. The amount withdrawn cannot exceed the amount needed to satisfy the emergency and you must exhaust all your loan options before applying for a hardship withdrawal. You must certify on the Hardship Withdrawal Form that the financial hardship cannot be relieved by cessation of deferrals under the Plan.

401(k) hardship withdrawals are subject to the 20% mandatory federal income tax withholding requirement. A 10% federal early withdrawal penalty tax may also apply to hardship withdrawals made before age 59½. To apply, you may obtain forms from the Texa\$aver website or by phone. If you separate from service, you should review the section on *Distributions and Leaving State Employment*.

Required forms

Forms can be found on the Texa\$aver website at **www.texasaver.com**. Choose your Plan from the **Select an Option** drop-down menu then click on **Forms** to find the form you need.

Or you can call the Texa\$aver Information Line at **(800) 634-5091** to have copies mailed to you.





Texa\$aver 457 Plan withdrawals

There are two types of withdrawals available from the 457 Plan while you are an active employee: de minimis withdrawals and hardship withdrawals.

De minimis withdrawals can be taken if you have a balance of \$5,000 or less and you have not made any contributions to the Plan for at least two years. The withdrawal must be a lump sum of your entire account balance. You may obtain forms from the website or by phone. Your withdrawal will be subject to a 20% federal income tax withholding unless the funds are rolled into an IRA.

Withdrawals for unforeseen emergencies (subject to approval) can be taken for the following reasons:

- Casualty loss
- Loss of property due to casualty not reimbursed by insurance including the need to rebuild primary residence
- Prevent eviction from or foreclosure on your primary residence (or beneficiary's residence)
- Pay for necessary non-reimbursed medical expenses
- Funeral expenses for an immediate family member
- Extraordinary unforeseeable circumstances arising from events beyond your control

Documentation of financial hardship must be provided. The amount withdrawn cannot exceed the amount needed to satisfy the emergency and you must exhaust all your loan options before applying for a hardship withdrawal. You must certify on the Hardship Withdrawal Form that the financial hardship cannot be relieved by cessation of deferrals under the Plan. To apply, you may obtain forms from the Texa\$aver website or by calling Texa\$aver. Hardship withdrawals will be subject to 20% federal income tax withholding.

6. Administration changes

Beneficiary designation changes

When you enroll in the Plan, it is important that you choose a beneficiary to receive your Texa\$aver Plan account balance in the event of your death. You may wish to designate a beneficiary who is age 18 or older, as ING is unable to make payment to a minor. If you didn't complete a Texa\$aver Designation of Beneficiary Form when you enrolled, you should complete one as soon as possible. It is important to keep your beneficiary designations up-to-date. You may change your beneficiary designations at any time by submitting a new Texa\$aver Designation of Beneficiary Form.

You can find a copy of the form in the **Forms** section of the Texa\$aver website or you can contact a Texa\$aver customer service representative to have a copy mailed to you.

Qualified Domestic Relations Order (QDRO)

A Qualified Domestic Relations Order is required to divide your Texa\$aver 401(k) or 457 Plan accounts in the event of a divorce. If Texa\$aver receives a valid, court certified QDRO that complies with Plan requirements, a payment will be made to your former spouse ("alternate payee") in accordance with the terms of the QDRO.

If you need a QDRO for your Texa\$aver account in conjunction with your divorce, only a court certified QDRO that complies with all Plan requirements can be used to divide accounts. To ensure that your QDRO includes the appropriate language, review the sample QDRO language in the Forms section of the Texa\$aver website or contact Texa\$aver at **(800) 634-5091** to have a copy mailed to you.