



Employee 401(a)

SDRS Special Pay Plan Highlights

Plan introduction

The SDRS Special Pay Plan (SDRS-SPP) is an additional retirement plan funded by an eligible employee's special pay (termination pay) which is compensation other than regular salary or wages accumulated by an employee and converted to a lump-sum amount at termination of employment.

Special pay may include unused annual leave, unused sick leave or other lump sum special pay that is eligible for contribution into the SDRS-SPP.

An eligible employer's contributions of special pay to the SDRS-SPP are excludable from an eligible employee's gross wages.

Also, the SDRS-SPP is designed to provide an additional tax-deferred vehicle to eligible employees by delaying income taxation on contributions and earnings until they are withdrawn from the Plan.

Eligibility

Each of the following provisions must apply in order to be eligible.

1. Employees of the State of South Dakota, Board of Regents or other employers who have elected to participate.
2. Terminated employees who are age 55 or have reached the first day of the calendar month prior to their 55th birthday.
3. Employees who are receiving special pay of \$600 or more.

Plan costs

The on-going costs of providing the SDRS-offered benefit are paid by those who participate in the Plan. There is no cost to you for the first 12 months you have the account open — this cost is paid by your employer. Beginning in the second year, you will be responsible for a cost of 0.21% annually. If you were a participant in the Plan prior to July 1, 2007, your fee structure may be different.

These fees are in addition to the internal expense charges/management fees assessed by the underlying investment options under the SDRS-SPP.

Maximum contribution amount

Contributions to the SDRS-SPP are subject to Internal Revenue Code Section 415(c) limits and cannot exceed the lesser of 100% of the employee's special pay or \$53,000 (indexed for the current year). In addition, an employee can still defer the maximum allowable to the SDRS Supplemental Retirement Plan.

The employer's special pay contribution to the SDRS-SPP would not be included in an employee's gross income, so the contribution and any income or earnings would not be subject to ordinary income tax until distributed from the Plan.

Based on state statute this special pay cannot be deferred and is not considered compensation for deferral purposes.



Plan features

- Special pay contributed to the Plan as a nonelective employer contribution is excluded from an employee's gross wages.
- The contributions and any earnings will have the opportunity to grow tax-deferred until they are distributed from the Plan.
- SDRS-SPP provides a variety of investment options and benefit payment choices.
- Contributions do not reduce the SRP Plan 457(b) contribution limit.
- Plan participants are immediately 100% vested.
- Service Representatives are available by phone to assist you with account changes.
- Participants receive quarterly statements, newsletters and investment performance reports.
- Twenty-four hour SDRS-SPP account access is available through the SRP Web site at SRP457.com or through the voice response system at 800-959-4457.

Payout options

Plan participants are vested in the SDRS-SPP as soon as the employer transmits the funds to the SDRS-SPP, and are eligible for an immediate distribution from the Plan upon written request after the attainment of age 55. All distributions from the SDRS-SPP are subject to federal income tax withholding unless they are rolled into another eligible retirement plan or IRA. Distributions will be taxed as ordinary income. The available distribution options are:

- Lump-sum withdrawal
- Partial lump-sum withdrawals
- Fixed-dollar amount
- Fixed-period payment
- Annuity payout options*
- Rollover to another eligible retirement plan or IRA

Distributions from your SDRS-SPP account may be subject to an additional 10% early withdrawal tax if taken prior to age 59½. Information provided by Retirement Specialists is for educational purposes only and is not intended as investment advice. Neither Nationwide nor any of its representatives give legal or tax advice. Federal tax laws are complex and subject to change. Consult your tax or legal advisor for answers to your specific questions.

To request a SDRS-SPP distribution form, contact the Plan Administrator's office at 605-224-2230.

For more information you can contact our Pierre Office at:

***SDRS Special Pay Plan
222 E. Capitol Ave., Suite 8
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NRM-0313SD.13 (02/16)