



# focus

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## Deferred Compensation: Q & A

As a participant of the SDRS Supplemental Retirement Plan (SRP), you are investing for your financial future through a tax-advantaged program designed to meet the unique needs of public employees. While assisting participants, there are some common questions that arise.

**Question:** "I plan to retire early. Is there a penalty on withdrawals taken prior to age 59½?"

**Answer:** The SDRS-SRP is a 457(b) deferred compensation plan. In general, there is no excise tax (10%) penalty for assets withdrawn from a 457(b) plan prior to age 59½.

Withdrawals of pretax contributions and the earnings on those contributions would be subject to ordinary income taxes.

*Please note:*

- Assets rolled into the SDRS-SRP from non-457(b) qualified retirement plans, such as 401(k), 403(b) or IRA assets, may be subject to a 10% penalty.
- Earnings associated with designated Roth 457 assets withdrawn prior to age 59½ and/or within the first five years of the first contribution would be subject to ordinary income taxes.

**Question:** "I worry that I won't have enough retirement income. Is it too late for me to do something about it?"

**Answer:** Even a small increase in your SDRS-SRP contributions can make a big difference over time. As you get closer to retirement, there are special catch-up provisions that allow you to contribute more than the annual maximum.

**Question:** "Once I retire, do I have to start taking distributions from my SDRS-SRP account?"

**Answer:** You do not need to start taking distributions once you retire. Your SDRS-SRP account has the flexibility to allow you to start, change, or stop distributions as your financial needs change after you retire. However, if you are retired and age 70½, you must begin taking required minimum distributions (RMDs).

If you have questions about your SDRS-SRP account and planning for your retirement, you are encouraged to contact your SDRS-SRP Retirement Specialist in Pierre at 605-224-2230.

*Investing involves risk, including possible loss of principal. Asset allocation models and diversification do not promise any level of performance or guarantee against loss of principal. Investment in the funds is subject to the risks of the underlying funds. The principal value of the funds is not guaranteed at any time.*

*Target date funds invest in a wide variety of underlying funds to help reduce investment risk. So, in addition to the expenses of the target date funds, you pay a proportionate share of the expenses of the underlying funds. Target maturity funds are designed for people who plan to withdrawal funds during or near a specific year. Like other funds, target date funds are subject to market risk and loss. Loss of principal can occur at any time, including before, at or after the target date. There is no guarantee that target date funds will provide enough income for retirement.*

**Questions? Contact the SDRS-SRP office in Pierre at 605-224-2230.**

# Protect your retirement account. Create your online access first.

You might think that the best way to not get hacked would be to not create an online account in the first place. But hackers can be clever, especially if the payoff could be access to your money or personal information. Using information that they gather elsewhere, hackers can attempt to create online accounts in your name.



The best defense for your SDRS-SRP account is to go on the offense — by creating your online access right now. All you need is your personal information and your SDRS-SRP account number.

- Go to SRP457.com
- Select “Login Help & Sign Up”
- Select “Sign Up for an Online Account”

The sign-up process is quick and intuitive. In just minutes, you will establish a user profile that will help reinforce the virtual firewall built to keep hackers out.



To strengthen safeguards around all the online accounts you have, consider these tips.

- Create strong, unique passwords for each account you own, even nonfinancial accounts
- Be secure online by installing trustworthy firewall and antivirus software
- Shop carefully online; look for “https” in the address, and avoid using public wireless networks



### Act fast if you have been hacked

Call the HELPLINE at 1-800-959-4457 immediately so the SDRS-SRP can watch for fraudulent activity. Then, change the passwords on all your online accounts.

## Certain auto-enrolled participants' contributions will be automatically increased.

The SDRS-SRP has an automatic increase feature which can help participants save more for retirement. The automatic annual increase is scheduled to occur July 1, 2019, for auto-enrolled participants of the State of South Dakota, the Board of Regents, and other employers who have elected the automatic increase feature. A notification was recently mailed to auto-enrolled participants who will experience the automatic increase on July 1, 2019. This annual increase affects only those participants who received the letter.

If you received a letter, you have three options:

1. You may take no action. Your monthly contribution to the SDRS-SRP will increase by \$10 beginning on July 1, 2019. For example, if you are currently contributing \$25 per month, your monthly contribution will increase to \$35.
2. You may increase your monthly contribution to the SDRS-SRP by a different amount by calling the SDRS-SRP office in Pierre at 605-224-2230. Please note that the automatic annual increase will occur in addition to your elected increase amount. For example, if you currently contribute \$25 per month and elect to increase to \$30 per month, your contribution amount will then increase to \$40 per month following the automatic annual increase beginning July 1, 2019.
3. You may choose to opt out of this year's automatic increase by taking one of the following actions by June 15, 2019:
  - Visit the SDRS-SRP website at [www.sq457.com](http://www.sq457.com) and log in to your personal account; you can opt out of this year's annual increase by selecting “No” on the Auto-Increase screen, which can be accessed through the “Contributions” tab; or
  - Call the SDRS-SRP office in Pierre at 605-224-2230 to request to opt out of this year's annual increase

Investing involves market risk, including possible loss of principal. Actual results will vary depending on your investment and market experience.

Nationwide Investment Advisors, LLC (NIA) provides investment advice to plan participants enrolled in Nationwide ProAccount. NIA is an SEC-registered investment adviser. NIA assesses participants an asset-based fee for the managed account services. Retirement products are offered by Nationwide Trust Company, FSB, or Nationwide Life Insurance Company.

NIA has retained Wilshire® as an Independent Financial Expert for Nationwide ProAccount. Wilshire provides investment allocation portfolios based on participant ages and their personal tolerance for investment risk.

NIA assesses participants an asset-based fee for the managed account services.

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## Contact us

### SDRS Supplemental Retirement Plan

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In Pierre 605-224-2230  
SRP457.com

The SDRS Supplemental Retirement Plan is a deferred compensation plan regulated by Section 457 of the Internal Revenue Code and offered by the South Dakota Retirement System (SDRS). Plan administration and enrollment services are provided by Nationwide® Retirement Solutions.

Contract #: GA-00619

SDRS-SRP Retirement Specialists are Registered Representatives of Nationwide Investment Services Corporation, member FINRA, Columbus, Ohio.

Nationwide and its representatives do not give legal or tax advice. An attorney or tax advisor should be consulted for answers to specific questions.

## Prudential Guaranteed Interest Account\*

Prudential has announced a **3.00%** annual effective yield for the 2nd quarter 2019.

*Guarantees and protections are based on the claims-paying ability of the underwriting insurance company.*

*\*Available option within the SDRS Supplemental Retirement Plan*

## Payout Changes

Note: If you are receiving distributions from the SDRS-SRP, you may be able to change your payout decisions. Call the SDRS Supplemental Retirement Plan office in Pierre at 605-224-2230 to review your account and/or payout options.