

**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFERRED COMPENSATION (457) PLAN
Frequently Asked Questions**

PLAN OVERVIEW

What is the Deferred Compensation Plan?

The Deferred Compensation Plan is a voluntary, supplemental retirement savings program established pursuant to Internal Revenue Code Section 457(b). This program allows you to make pre-tax contributions to an investment program that will grow tax-deferred until you withdraw the funds at a future date in time. Neither your contributions nor any investment earnings are subject to current federal and (in most cases) state income taxes until the funds are withdrawn.

Who is eligible to enroll?

All Wayne County, Third Circuit Court, and Wayne County Airport Authority (WCAA) employees are eligible unless your collective bargaining agreement specifies otherwise.

What does deferred compensation mean to you?

Your contributions are taken out of your pay before taxes are calculated, reducing your current taxable income for the year. This allows you to keep more money in your pocket as opposed to if you were saving the same amount with after-tax dollars.

How does the amount I contribute affect my income tax?

Your current taxable income is reduced by the amount you contribute.

For example: if your salary is \$25,000 and you contribute \$1,300 (\$50.00 X 26 pays per year), your current taxable income for Federal and Michigan income tax purposes will be \$23,700 on your W-2 form.

These adjustments are made automatically through the payroll systems of the respective employer.

Does this mean that taxes will never have to be paid on my contributions?

No. Under Federal and Michigan Law, your Deferred Compensation Plan contributions and earnings accumulate on a tax-deferred basis, allowing more of your money to grow faster than comparable after-tax alternatives. Upon withdrawal, each payment you receive from your account is subject to ordinary federal and state income taxes as you receive it. State income tax liability will be determined in accordance with the tax laws in effect in your state of residence at the time of withdrawal. Amounts remaining in your account continue to accumulate on a tax-deferred basis until they are withdrawn.

What other benefits are there besides income tax deferral?

Building supplemental retirement savings means that you will have greater financial independence and you will not have to rely solely on your pension or social security for retirement income.

**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFERRED COMPENSATION (457) PLAN
Frequently Asked Questions**

How is the Deferred Compensation Plan different from a traditional IRA?

The Deferred Compensation Plan offers you the convenience of setting some money aside before taxes on a regular basis, with each paycheck. This may help you keep the discipline you need to save for your retirement. In addition, unlike a traditional IRA, deferred compensation does not normally incur a 10% tax penalty for distributions prior to age 59½. However, other deferred compensation distribution restrictions apply. As explained above, the Deferred Compensation Plan allows you to defer large amounts of money (100% of your includible compensation or \$16,500 for 2010 and 2011), whichever is less and your right to use the Plan is not limited by any income test such as the one imposed for traditional IRA deductions.

Will participation affect my Wayne County Employee Retirement System (WCERS) retirement benefits?

No.

WITHDRAWAL

When can amounts be withdrawn from my account?

Remember that this account is not a normal savings account and therefore strict guidelines are adhered to in cases of withdrawal. You may withdraw amounts from your account only when you:

- Retire
- Terminate employment with Wayne County, Third Circuit Court, or Wayne County Airport Authority
- Experience an unforeseeable emergency as defined by IRS Regulations and with Plan Administrator approval
- Have an inactive account with a low balance as defined by the IRS
- Death (distribution made to your beneficiaries)

What is an unforeseeable emergency/hardship?

Loans from your deferred compensation account are not permitted under the Plan. Withdrawals (either partial or full) prior to retirement or separation from employment with the County are rarely allowed and only in the case of extreme and unforeseeable financial hardship as defined by the Internal Revenue Code.

To surmise, the Internal Revenue Code defines an unforeseeable emergency as a severe financial emergency resulting from an illness, or accident afflicting you or your dependents, property loss to casualty, or other similar extraordinary and unforeseeable circumstances beyond your control. Payments can only be made to the extent that your hardship expenses are not covered by insurance or money available from other sources.

Please contact Wayne County Retirement for more information on hardship withdrawals.

**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFERRED COMPENSATION (457) PLAN
Frequently Asked Questions**

What is an inactive account with a low balance?

According to the IRS Regulations, if your account balance is \$5,000 or less, you have not contributed to any other deferred compensation Plan in the past two (2) years and you have never received a distribution under this provision, you may take a one-time lump sum withdrawal of your account.

ENROLLMENT

How do I enroll in the Plan?

Simply call one of the Deferred Compensation providers for information and enrollment materials. They are free to visit you at your work site and meet with you to discuss your investment options among other things. The representatives will guide you through the enrollment process.

Who are the current providers?

The following providers currently serve Wayne County and Third Circuit Court employees:

AXA-Equitable

Representative – Brian Mosallam (313) 712-5300 or brian.mosallam@axa-advisors.com

Customer Service number – (800) 628-6673

Website address – www.axaonline.com

GC Financial/John Hancock

GC Financial/Midland National

Representative – Charles Howe (313) 283-9132 or info@gcfinancialinc.com

Customer Service number – (866) 561-1181

Website address – www.gcfinancialinc.com

Hartford

Representative – Mark Mitchell – (734) 421-2212 or Mmitchell@retirementplanadvisors.com

Representative – Randy Nelson – (248) 347-4563 or Rnelson@retirementplanadvisors.com

Representative – Jamilah Brown – (248) 640-9801 or Jbrown@retirementplanadvisors.com

Representative – Richard (Dick) Rich – (734) 765-8696 or rrich@retirementplanadvisors.com

Customer Service number (800) 528-9009

Website address – www.retire.hartfordlife.com

ING

Representative – Debra Brown – (248) 208-6027

Customer Service number – (800) 584-6001

Website – www.ingretirementplans.com

**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFERRED COMPENSATION (457) PLAN
Frequently Asked Questions**

The following providers currently serve Wayne County Airport Authority employees:

AXA-Equitable

Representative – Brian Mosallam (313) 712-5300 or brian.mosallam@axa-advisors.com

Customer Service number – (800) 628-6673

Website address – www.axaonline.com

Hartford

Representative – Mark Mitchell (734) 421-2212 or Mmitchell@retirementplanadvisors.com

Representative – Randy Nelson (248) 347-4563 or Rnelson@retirementplanadvisors.com

Representative – Jamilah Brown (248) 640-9801 or Jbrown@retirementplanadvisors.com

Customer Service number (800) 528-9009

Website address – www.hartfordlife.com

Nationwide Retirement Solutions (Wayne County Airport Authority only)

Representative – Rick King (248) 719-2302 or Kingr16@nationwide.com

Customer Service number (877) 677-3678

Website – www.nrsservicecenter.com

Who are the non-current Providers?

Non-current providers do not have a current contract as a deferred compensation provider and no longer invest new contributions for Wayne County, Third Circuit Court, and/or Wayne County Airport Authority employees. However, they continue to manage the accounts of the employees previously in the plans. Employees will continue to have the ability to make changes to investment allocations and receive quarterly statements.

These providers are:

MetLife (formerly CitiStreet)

Customer Service number (800) 543-2520

Website – www.mlr.metlife.com

Great West Retirement Services

Representative – Vanessa Coakley (269) 823-4020 or Vanessa.coakley@gwrs.com

Customer Service number (800) 284-0444

Website address – www.gwrs.com

Nationwide Retirement Solutions (Wayne County and Third Circuit Court only)

Representative – Rick King (248) 719-2302 or Kingr16@nationwide.com

Customer Service number (877) 677-3678

Website – www.nrsservicecenter.com

**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFERRED COMPENSATION (457) PLAN
Frequently Asked Questions**

What are the expenses associated with the Plan?

There may be management fees, deferred sales charges or other fees charged to your account on products offered by your deferred compensation provider. Check with your respective company to determine the existence of such fees.

How do I keep track of my account?

The providers will mail you a quarterly account statement showing your account balance and investment activities. You can also access your account balance, statements, investment activity and move money between investment options on some of the providers' websites. If this feature is not available for your provider, contact them by phone to make any necessary changes to your investment options.

How do I report a change of address or phone number?

For address or telephone number changes, please contact your service provider and request an address change form. Complete the form and provide Wayne County Retirement with a copy. Any changes in address should also be forwarded to respective Personnel divisions as well.

CONTRIBUTIONS

How much can I contribute from my paycheck?

There is no minimum amount employees can contribute to their deferred compensation account per paycheck. Rather, employees must limit their maximum contribution for the year for all deferred compensation accounts according to the following IRS guidelines:

<u>Limit Type</u>	<u>2010</u>	<u>2011</u>
Under Age 50	\$16,500	\$16,500
Over Age 50 Catch-up	22,000	22,000
One Time 3 year Catch-up	33,000	33,000

What is "Over Age 50 Catch-up"?

If you are age 50 or will be 50 during the calendar year, you are eligible to automatically make contributions in excess of the normal contribution for the calendar year.

No special application is required to participate in the Over Age 50 Catch-up. If you are 50 years old or older, simply consider your overall contribution limit for the year as the normal contribution limit plus the special age 50 catch-up amounts and submit any changes in contributions to Wayne County Retirement.

**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFERRED COMPENSATION (457) PLAN
Frequently Asked Questions**

What is the one time three-year Catch-up Provision?

Employees may utilize the catch-up provision under the following circumstances:

- Employees must be within three years of retirement eligibility
- Employees must not have met the maximum contribution amount in prior years
- Employees can only utilize this provision once, regardless whether or not maximum contribution is made in any of the three years.

Employees who choose to utilize this provision must first consult their providers for proper account analysis and approval. Once enrolled, employees are not bound to meet the catch-up provision limits.

Can I change the amount I contribute?

Yes. You can increase, decrease, or suspend the amount you contribute to the Plan as frequently as once per pay period as long as you stay within the plan guidelines. You can obtain a *Deferred Compensation Change Request Form* from the Retirement System's website at www.wcers.org or from your local representative. Please allow at least one pay period for the contribution change to be effective.

What happens to my account if I stop contributing?

Your account continues to accumulate earnings/losses tax-deferred until benefits are paid to you or your beneficiaries.

What happens to the money that is withheld from my paycheck?

When you participate in the Deferred Compensation Plan, you have the choice of a broad and diverse array of investment options in which to invest your contributions. Your contributions purchase incremental shares of the investment options, including mutual funds, along with other participants who choose the same investments. Professional investment managers who seek to achieve specified investment objectives manage the money. In order to choose the investments that make sense for you, you can review fund profile sheets and prospectuses that are available from the enrollment kit from the specific providers, the provider's website, or from provider's representatives.

It is your responsibility to read and research them carefully before investing. You will also receive investment options at a glance with your account statement each quarter, and this will help you monitor the performance of the investment options in your Plan.

**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFERRED COMPENSATION (457) PLAN
Frequently Asked Questions**

INVESTMENT OPTIONS, SPECIAL CIRCUMSTANCES

What happens if I do not decide how to invest?

If you fail to specify your investment options and allocations, your contributions will be placed in the Plan's default investment option until you provide your investment options. Please check with your registered representative for the default option for your plan.

Can I split my contributions among the different investment options?

Yes. You may allocate your contributions in any whole percentages among the core investment options.

How can I transfer or reallocate amounts from one investment option to another?

When you decide to allocate amounts from one option to another, you may do so on the carrier's website or by calling your local representatives. It is important to remember that your Deferred Compensation Plan account is a long-term investment. Therefore, frequent trading from one investment to another is not advisable and will not likely result in enhanced investment returns. However, you should regularly review your account to be sure that your investment selections are well suited to helping you achieve your financial goals, and make changes as necessary.

What is market timing and excessive trading?

Attempting frequent, large volume exchanges among mutual funds to take advantage of pricing inefficiencies is commonly known as market timing. Industry experts do not support this tactic. In addition, Wayne County strongly discourages such tactics. Fund groups in general have developed policies against market timing activity. High volume/frequency exchange activity disrupts portfolio management strategies, potentially negatively impacting a fund's performance. Proper investment education and allocation is encouraged.

RECEIVING YOUR BENEFITS

When will my benefit payments begin?

Your benefit payments may occur under these conditions:

- When you reach age 70½
- When a participant is no longer employed with Wayne County, Third Circuit Court, or the Wayne County Airport Authority
- When an account holder becomes deceased

However, if you are still working beyond age 70½, you may still be able to begin receiving payments from your deferred compensation account. Be aware that whenever you take a disbursement, 20% is withheld for federal taxes. Please consider this when requesting a disbursement. Form 1099R will be issued to you, notifying taxing authorities of the disbursement for taxation purposes.

**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFERRED COMPENSATION (457) PLAN
Frequently Asked Questions**

What are my benefit payment options?

You may elect to have your benefits paid as a lump sum distribution, a periodic payment over a fixed period or a designated amount, by purchasing an annuity, or a partial withdrawal with the remainder paid out as a periodic payment or an annuity option. Payment options are subject to certain minimum distribution rules. Contact your provider for a review of options that are available to you.

Can I roll over my account balance from one provider to another?

Yes. Rollovers can occur by way of internal rollover, external rollover, or incoming rollover. Once an employee leaves employment either by way of retirement or termination he/she is free to rollover or transfer his/her account balance to a carrier outside of the ones provided by Wayne County Retirement. Until then, current employees can only rollover account balances within the providers listed currently servicing employees.

What is an Internal Rollover?

An internal rollover occurs when a current Wayne County, Third Circuit Court, or Wayne County Airport Authority employee rolls over or transfers an account balance from one of the Wayne County designated providers to the other.

The respective providers should be contacted once an employee decides to rollover part or all of the account balance to another provider. The representative will assist the employee with additional information and paperwork to complete the process.

What is an External Rollover?

An external rollover is when a former employee of Wayne County, Third Circuit Court, and Wayne County Airport Authority decides to rollover part or all of the account balance from any of the Wayne County providers to non-Wayne County providers. The new provider, as well as the former provider, must be contacted in order to complete the process.

What is an Incoming Rollover?

Employees are allowed to rollover account balances from other governmental Section 457 deferred compensation plans, if that plan permits the transfer and WCERS approves it. Please note that the availability of any new rollover provisions is subject to amendment of the official Plan Document and the implementation of supporting record-keeping procedures by the service providers.

**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFERRED COMPENSATION (457) PLAN
Frequently Asked Questions**

What happens when I die?

Your account balance will be payable to your beneficiary according to Internal Revenue Code, Treasury Regulations and Plan Guidelines when he or she delivers a proper claim request. Unless you otherwise direct in writing by designating a beneficiary, the beneficiary order for the Plan will be:

- Your surviving spouse, or if none,
- Your child(ren), or if none,
- Descendents of your deceased children, or if none,
- Your parents, or if none,
- The duly appointed executor or administrator of your estate, or if none,
- The next of kin entitled to inherit under the laws of your domicile.

Employees should ensure that beneficiary forms are regularly updated with the proper name, current addresses and social security numbers of beneficiaries.

WHAT TO DO AT RETIREMENT OR SEPARATION FROM EMPLOYMENT

What do I need to do if I am ready to retire or leaving County employment?

On separation from employment or retirement you may choose to:

- Maintain your account in the Plan
- Withdraw all or a portion of your account through a systematic withdrawal program or annuity option
- Rollover your account balances to another eligible retirement plan, such as a government 457 plan, or a traditional IRA

Transactions will be processed no earlier than 30 days after termination or retirement by Wayne County Retirement. Upon retirement or separation, employees are no longer able to make regular contributions to the account.

What do I need to do if I choose to rollover my account balance?

- Request and complete proper forms from the current Provider
- Request a letter of acceptance from the new Provider
- Attach both forms and forward to the Deferred Compensation team at Wayne County Retirement

**WAYNE COUNTY EMPLOYEES' RETIREMENT SYSTEM
DEFERRED COMPENSATION (457) PLAN
Frequently Asked Questions**

Can I contribute to deferred compensation from my annual leave and sick balance payout?

Yes, provided total contributions for the calendar year are not over the maximum amount allowed. Employees need to contact Wayne County Retirement prior to last day of employment to complete the "WCERS Deferred Compensation Plan – Change Request Form". Some unions, such as the Sheriffs, allow members to make annual contributions from any excess sick and vacation time payoff to their Deferred Compensation account. Please consult your various collective bargaining agreements to see if this option is available to you.

ADDITIONAL INFORMATION

What is the role of the Wayne County Employees' Retirement System (WCERS)?

WCERS serves as the Plan Administrator for the Wayne County Employees' Retirement System Deferred Compensation Plan. WCERS is responsible for overseeing the operation of the Plan. This includes, but is not limited to, contracting with the record keeper and communication service provider and the investment managers, as well as ensuring that the plans comply with federal and state laws. Additionally, WCERS is responsible for reviewing the pool of investments offered in the Plan.

What is the role of the deferred compensation providers?

The deferred compensation providers were selected by WCERS to provide record keeping, enrollment and education services for its Deferred Compensation Plans. The Providers' representatives will make regular visits through the County to provide financial and investment education, and help you make the most of your financial journey.

The WCERS Deferred Compensation Plan – Change request Form is posted on the website.