



Roth 457(b)

A Governmental 457(b) savings opportunity
for your employees

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This fact sheet provides information regarding the operation and administration of a Roth 457(b) feature under your 457(b) plan.

What is a Roth 457(b)?

A Roth 457(b) allows participants to make after-tax contributions to a designated Roth account under a governmental 457(b) plan. By adding the Roth 457(b) option, you can provide your employees with another opportunity to save for their future. Your employees will have the choice to make contributions on an after-tax basis under the Roth 457(b), on the current pre-tax basis, or a combination of the two, depending upon what is best for their personal circumstances and savings goals. A 457(b) plan that has a Roth account feature may permit a participant or spousal beneficiary to roll over amounts that are both (1) an eligible rollover distribution and (2) a permissible distribution under the plan document to the distributing plan's Roth 457(b) account via an in-plan conversion.

How does the Roth 457(b) work?

- The contribution limits associated with employee contributions made to the 457(b) plan are applied to the combined pre-tax and Roth 457(b) after-tax employee contribution amount. The 2014 limits are:
 - 1) \$17,500 under the basic limit, plus
 - 2) either up to \$17,500 for employees who are eligible for the three year catch-up provision; or \$5,500 for employees who are age 50 or older.

NOTE: The Internal Revenue Code provides that Participants who are eligible for both catch-ups in the same tax year can only use the catch-up that allows them to contribute the most in that tax year. For more information about catch-ups that may be available to you, please contact your local Voya representative.

- Roth 457(b) after-tax contributions and earnings must be accounted for separately from pre-tax contributions to the 457(b).

- If a participant is eligible for a distributable event under the 457 plan, the earnings on Roth 457(b) amounts withdrawn will be tax-free for federal income tax purposes if the withdrawal is considered a Qualified Distribution. To be a Qualified Distribution, the participant must be eligible for a distribution from the 457 plan and the following criteria must be met:

- 1) The Roth funds must be held for a 5-year holding period, measured from the earlier of (A) the first year that contributions were made on behalf of the participant to any Roth 457(b) account in the employer's plan, or (B) if a direct rollover contribution was made to the Roth 457(b), the first year a Roth contribution was made to the 457(b) account from which the direct rollover contribution originated or the first year of a Roth in-plan conversion. and
- 2) the participant must have also died, become disabled, or attained age 59½ (assuming the participant has separated from service).

Note, a IRS 10% premature distribution penalty tax could apply if the participant were to roll designated Roth amounts from a 401(k) or 403(b) plan into a governmental 457(b) plan with a Roth feature if, when withdrawn, those amounts were considered non-qualified distributions.

Why is the Roth 457(b) option important to you and to your employees?

We all know that saving for retirement is important...and that there is no "one size fits all" solution to meet each individual employee's retirement planning needs.

Offering your employees the convenience of payroll deduction for both pre-tax and after-tax savings provides them with a greater

opportunity for saving – no matter which option they choose.

Deciding whether to contribute to a traditional 457(b) plan on a pre-tax basis, to a Roth 457(b) on an after-tax basis or converting pre-tax amounts to a Roth 457(b) is a decision each employee must make based on their personal circumstances, savings needs and financial goals. Here are some factors your employees may want to consider when making this decision:

- The expected length of time until a distribution is needed from either a pre-tax or Roth 457(b) after-tax account.
- The anticipated federal income tax rates at the time of distribution and individual prediction of personal tax bracket.
- The value of earnings accumulated under the Roth 457(b) on a tax-free basis, and the potential tax-free withdrawal of those funds versus the current benefit of saving on a pre-tax basis.
- Tax and estate planning opportunities afforded by a combination of pre-tax and after-tax savings.
- Unlike Roth IRAs, which impose income limitations, there are no income limitations for participating in a Roth 457(b).

The addition of a Roth 457(b) option for your employees can open a new and exciting planning opportunity. Voya representatives* are available to provide educational meetings to help you and your employees understand the Roth 457(b) rules.

Getting ready for the Roth 457(b) option

There are a few things you will need to do in order to offer your employees a Roth 457(b) option under your 457(b) program. Review the checklist on the following page for next steps.

*Voya local representatives are registered representatives of Voya Financial Advisors, Inc., member SIPC.

Thinking about a Roth 457(b)? Voya can make it easier for you.

✓	Next steps	How Voya can help
✓	Determine whether a Roth option is right for you and your employees.	Review the possible benefits of a Roth feature with your Voya representative.
✓	Review state/local law to determine whether any changes are required to support a Roth feature.	Voya is available to lend support to your legal/tax advisers.
✓	Determine the effective date of the Roth feature.	Discuss any timing implications with your Voya representative.
✓	Update your plan document to include Roth 457(b) provisions.	Voya will make available sample language.
✓	Educate your payroll personnel regarding the proper tracking and tax reporting of the new Roth 457(b) deductions.	Your Voya plan manager can offer support.
✓	Establish separate fields in your payroll system to track both traditional (pre-tax) 457(b) salary deferrals and Roth (after-tax) 457(b) salary deductions for tax reporting (IRS Form W-2) purposes.	Roth 457(b) deductions are just like other after-tax payroll deductions (for example: supplemental insurance, union dues, etc.).
✓	Ensure contributions remitted to your plan provider(s) reflects the amount and type(s).	Your Voya plan manager can provide suggested formats.
✓	Announce the Roth feature to your employees and educate them on the features of this new option.	Voya offers a variety of educational information for you to leverage, including educational flyers, brochures, comparison charts, and presentations.

This information is provided for your educational use only.

Please consult with your legal counsel in making the decision to add the Roth 457(b) option, and to ensure that the information is properly reported. Voya and its affiliated companies and representatives do not offer legal or tax advice.

These materials are not intended to be used to avoid tax penalties, and were prepared to support the promotion or marketing of the matter addressed in this document. The taxpayer should seek advice from an independent tax adviser.

For more information please contact:

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