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PLAN OVERVIEW

What is the Deferred Compensation Plan?

The Deferred Compensation Plan of the Wayne County Employees' Retirement System (WCERS) 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nor any investment earnings are subject to current federal and (in most cases) state income taxes until the funds are withdrawn. Back to top

Who is eligible to enroll?

All Wayne County, Third Circuit Court and Wayne County Airport Authority (WCAA) full time, part time, elected, appointed, seasonal, and temporary and contract employees are eligible unless prohibited by a controlling document. Back to top

What is the role WCERS?

WCERS serves as the Plan Administrator for the Wayne County Employees' Retirement System Deferred Compensation Plan. WCERS is the plan fiduciary and is responsible for overseeing the operation of the Plan. This includes, but is not limited to, contracting with the record keeper and communicating with Service Providers and 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. Back to top

What is the role of the Deferred Compensation Providers?

The Deferred Compensation Providers are 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 Deferred Compensation Providers will also process requests for hardship withdrawals. Back to top

What are the benefits of a Deferred Compensation Plan?

1. *Tax Benefit*
   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 of your money in your Plan than if you were saving that same amount with after-tax dollars. Therefore, your current taxable income is reduced by the amount you contribute. These adjustments are made automatically through the payroll systems of the respective employer.

   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.

2. *Greater Financial Independence*
   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. Back to top

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 Plan continue to accumulate on a tax-deferred basis until they are withdrawn. Back to top

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. See How much can I contribute from my paycheck? Also unlike traditional IRAs your ability to contribute to the Plan is not limited by your income.
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Will participation affect my Wayne County Employee Retirement System retirement benefits?

No. Back to top

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. Back to top

Who are the current providers?

Please click on the following link to access the current providers that serve Wayne County, Third Circuit Court employees, and Airport Authority employees: Chart A- Contact Information

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What are the expenses associated with the Plan?

The WCERS goal is to offer low cost provider and full services annuities, however, there may be fees, deferred sales charges or other fees charged to your account on products offered by your deferred compensation provider. Please review the fee schedule prior to signing up that is provided by the deferred compensation representative. Back to top

How do I keep track of my account?

Each Deferred Compensation Provider will mail 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. Back to top

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

For address, telephone number or beneficiary changes please contact your service provider and request the appropriate change form. Complete the form and provide a copy of such to your provider and a copy to WCERS. Any change in address should also be forwarded to respective Employer Personnel divisions as well. Back to top

CONTRIBUTIONS

What happens to the money that is withheld from my paycheck (AKA my Contributions)?

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.
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It is your responsibility to read and research investments 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. Back to top

Can I change the amount I contribute?

Yes. You can increase, decrease, or suspend the amount you contribute to the Plan as frequently as long as you stay within the IRS limits. You can obtain a ***Deferred Compensation Change Request Form*** from the WCERS website at www.wcers.org or from your local representative. The initial agreement to contribute cannot take effect before the first day of the month following completion of your paperwork. Changes to contributions will be on the first pay in the month following the change request. Back to top

What happens to my account if I stop contributing?

Your account continues to accumulate tax-deferred earnings/losses until benefits are paid to you, or your beneficiaries that were designated by you. (See "What happens when I die") Back to top

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 IRS guidelines which can be accessed by clicking the link: Chart B- IRS Limits

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What is "Over Age 50 Catch-up"?

If you are age 50 or over, or will be 50 during the calendar year, you are eligible to contribute the amount listed in Chart B- IRS Limits. No special application is required to participate in the Over Age 50 Catch-up. Back to top

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 cannot use the three-year Catch-up Provision in the year that they separate or retire.

> Example: An employee eligible to retire in 2020 becomes eligible for the three-year catch-up in 2017. Should they retire in 2022, they may use the three-year in any three consecutive years starting with 2017, but not in 2022.

To enroll in the three-year catch-up, employees must first consult their provider(s) to confirm eligibility and allowable contribution amount. Once enrolled, employees may contribute any amount up to their maximum allowable catch-up limit for the three years. Employees may also adjust their deferral amount during the three year catch-up period.
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WITHDRAWAL OF PLAN SAVINGS

When can amounts be withdrawn from my Plan?

Remember that this Plan is not a normal savings account and therefore strict guidelines are adhered to in cases of withdrawal. Loans from your deferred compensation are not permitted under the Plan. 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. Contact your deferred compensation provider
- Have an inactive account with a low balance as defined by the IRS
- Death (distribution made to your beneficiaries)

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What is an unforeseeable emergency/hardship?

Withdrawals (either partial or full) prior to retirement or separation from employment with the County are rarely allowed, and are only allowed in the case of an approved unforeseeable financial hardship as defined by the Internal Revenue Code.

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. Back to top

How do I apply for a Hardship Withdrawal?

Active employees with deferred compensation accounts may apply for a hardship request. Employees requesting an emergency hardship must contact their deferred compensation provider for an Unforeseeable Emergency Withdrawal Application. The completed application should include:

- Loan rejection notice
- Recent bank statements
- Documentation supporting the nature of the emergency

The completed application and supporting documentation must be faxed to your deferred compensation provider. See Chart A- Contact Information.

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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. Back to top

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. If no beneficiary designation is in effect upon the Participant's death, or if no designated Beneficiary survives the participant, the Beneficiary shall be the Participant's estate. If a Beneficiary dies after becoming entitled to receive a distribution under the Plan but before distribution is made to him or her in full the estate of the deceased Beneficiary shall be the Beneficiary as to the balance of the distribution.

Employees should ensure that beneficiary forms are regularly updated with the proper name, current addresses and social security numbers of beneficiaries. Beneficiary forms are with the Deferred Compensation Carriers. Please contact your Deferred Compensation Provider for Beneficiary Forms. Back to top

INVESTMENT OPTIONS

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. Back to top

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. Back to top

Can I invest with more than one provider?

Yes. Back to top

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. Back to top

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, WCERS 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. Each provider may have a different excessive trading policy. Back to top

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 (See "What happens when I die")

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. Back to top

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. Back to top

Does the plan have a Rollover provision?

Yes. Once an employee severs employment for any reason, he/she is free to roll over his/her account balance to an eligible retirement plan or IRA of their choosing (assuming the distribution is an eligible rollover distribution). Active employees of the Detroit Wayne Mental Health Authority who were formerly Wayne County employees may not request a distribution from the plan until they sever employment from the Authority or any other Employer that sponsors the Wayne County 457 Plan. The reorganization of the Wayne County Mental Health Department into the Detroit Wayne Mental Health Authority is not considered a severance from employment.

Retirement assets that were rolled over into the Wayne County 457 Plan from a different employer may be rolled over to an eligible retirement plan or IRA of your choosing at any time.

Plan participants may also roll other eligible retirement plan assets or traditional pre-tax IRA assets into the Wayne County 457 Plan. Back to top

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 (company receiving rollover)
- Attach both forms and send to the Attention of the Deferred Compensation Manager at WCERS

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Can I transfer my assets from one plan provider to another plan provider?

Yes. Wayne County, Third Circuit Court or Wayne County Airport Authority employees may transfer their account balance from one of the WCERS designated providers to the other.

The respective providers should be contacted once an employee decides to transfer 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. All potential fees should be discussed with the representative prior to transferring. Back to top

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 (See "What do I need to do If I choose to rollover my account balance")

Please contact the Retirement Office for processing, 313-224-5890. Transactions will be processed no earlier than 30 days after termination or retirement by WCERS. Upon retirement or separation, employees are no longer able to make regular contributions to the account. Back to top

Can I contribute to the Deferred Compensation Plan 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 WCERS 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 or Payroll/Personnel Officer to see if this option is available to you. Back to top

CONTACT

Should you have any questions please contact:

WCERS Deferred Compensation Manager
313-224-5890

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