

DEFERRED COMPENSATION PLAN

The State of Rhode Island Plan (the "Plan") is a 457(b) Deferred Compensation Plan. The Plan operates under Section 457(b) of the Internal Revenue Code. The Administrator of the Plan is the State of Rhode Island. Currently, benefits are provided through the following Fund Sponsors:

Fidelity	Fidelity
VALIC	Variable Annuity Life Insurance Company
VOYA	VOYA Financial

Information and enrollment forms are available in the Office of Human Resources.

CONTRIBUTIONS

All contributions to the 457(b) Deferred Compensation Plan are voluntary. Employees may contribute up to the federal annual limits. The minimum contribution is \$25.00 per pay period.

PAYMENT OPTIONS

Funds in a 457(b) plan can be made available to the employee upon severance from employment, retirement, attaining the age of 70 ½, death, or upon encountering an "unforeseeable emergency". Any amount received will be treated as ordinary income for federal tax purposes.

Salary Reduction

In selecting salary reduction, the employee is using the tax-deferred method of annuity contribution. Taxable income is reduced by the amount contributed to the 457(b) Deferred Compensation Plan; therefore, the employee pays less in tax dollars. The annuity contribution is not tax-free, but it is '~deferred~' until the employee begins to receive the annuity as income. The rationale for tax-deferring retirement contributions is that at retirement, the employee's income may be less, thereby putting him/her in a lower tax bracket (assuming the tax structure is similar to that now in place).

What options does the employee have if he/she decides to tax-defer?

The employee may defer any amount up to the maximum annual allowance as determined by IRS rules. Each employee's maximum should be calculated **each calendar year**, as the maximum may change each year based on new federal limits and age. Upon request, the Fund Sponsor will calculate the maximum contribution for the employee. If the employee is within 3 years of retirement, he/she **may** qualify for additional deferrals – please contact the Fund Sponsor for additional information or a calculation.