



EMPLOYEE GUIDE

457(b) PLAN

One of the greatest challenges facing employees is saving enough money to become financially independent at retirement. For younger employees, retirement may seem light-years away. For others, it may be right around the corner. Regardless of your age, one thing is certain: it is never too early to start building your retirement nest egg. When you reach your retirement years, you want to be financially prepared to enjoy the standard of living to which you are accustomed. Generally, that means the sooner you start saving, the better off you will be. The retirement plan your employer is sponsoring is a way to help you manage your future financial security.

FREQUENTLY ASKED QUESTIONS

1 What is a 457(b) plan?

Named after Section 457 of the Internal Revenue Code, a 457(b) plan is a retirement savings program that allows employees of states and municipalities to invest money on a pretax and Roth aftertax **(if plan permits)** basis under individual payroll investment agreements. The employer contributes this amount to a trust, where pretax funds accumulate on a tax-deferred basis and Roth aftertax funds accumulate on a tax-free basis if certain criteria are met.

2 What are payroll contributions?

Payroll contribution amounts also are known as elective deferrals. Employee payroll contributions can equal up to 100% of compensation, not to exceed \$19,000 in 2019, indexed. Participants age 50 or older can make “catch-up” contributions of up to \$6,000 for 2019.

Pretax payroll contribution:

Reduces current income subject to taxation. Since you do not pay taxes on this money until distributed, your take-home pay is not fully reduced by your contribution.

Roth aftertax payroll contribution (if plan permits):

Included in current taxable wages and subject to applicable income taxes. Since you pay taxes today on this money, your take-home pay is lowered, dollar by dollar, by the amount you contribute.

3 Why should I contribute to the plan?

Your 457(b) plan provides an opportunity for you to save for your retirement years; since investments are made automatically through payroll contributions, the 457(b) provides a disciplined and convenient approach to saving for retirement.

A tax credit is also available. Married couples with adjusted gross incomes (AGI) of \$64,000 or less, heads of households with AGI of \$48,000 or less, and single taxpayers with AGI of \$32,000 or less may qualify for a tax credit on the first \$2,000 of pretax payroll contributions and/or Roth aftertax **(if plan permits)** payroll contributions. AGI amounts will be adjusted to reflect annual cost-of-living increases by the IRS.

4 How do I enroll?

Simply complete a 457(b) Contribution Election and a Beneficiary Designation form and return them to your employer. By doing so, you authorize your employer to automatically invest a portion of your salary and contribute that amount to the plan on your behalf.

5 Where are my payroll contributions invested?

Your payroll contributions can generally be invested in any of the Lord Abbett funds. Lord Abbett fund fact sheets are located at lordabbett.com, and prospectus information can be obtained from your employer. If you are having difficulty deciding which funds to select, please contact your investment representative.

6 How do I find out the value of my account?

You may call the Lord Abbett toll-free Voice Response Unit (VRU) number or use the Lord Abbett website 24 hours a day to obtain the value of your account. The VRU number is 800-667-9149 and the website address is lordabbett.com.

7 May I switch my investments?

To change the investment allocations on existing account balances or future contributions, call 800-667-9149 or access lordabbett.com. Please follow the instructions on the "Change Investment Elections" screen.

8 When will my contributions become fully vested?

Vesting is ownership in your account. Your pretax and/or Roth aftertax **(if plan permits)** contributions from your salary are immediately 100% vested. Your employer may also make contributions to your account on your behalf if your 457(b) program provides for employer contributions. These contributions may be subject to a vesting schedule.

9 Are my contributions taxed?

The participant and employer in a 457(b) plan will pay Social Security Tax (FICA) and Federal Unemployment Tax (FUTA) on the amount of gross wages, including any employer contributions, before those dollars are invested in the plan.

Pretax payroll contribution:

A pretax payroll contribution is not subject to federal income tax or state income tax (in most states) until it is distributed.

Roth aftertax payroll contribution (if plan permits):

A Roth aftertax payroll contribution is subject to federal income tax or state income tax (in most states), but earnings and distributions are generally tax-free for life.

10 May I borrow from my 457(b) account?

Loans are not permitted.

11 When may I take a distribution?

You may take a distribution from the plan for any of the following reasons:

1. Retirement
2. Disability
3. Separation from service
4. Death (proceeds distributed to named beneficiary)
5. Unforeseeable emergency (if plan permits)
6. Plan Termination

12 What taxes do I pay upon making withdrawals from my account?

Pretax account balance:

A pretax account balance is not subject to federal income tax or state income tax (in most states) until it is distributed. The amount (contributions plus earnings) is taxed as ordinary income in the year the assets are distributed.

Roth aftertax account balance (if plan permits):

A Roth aftertax account balance is free of federal tax if your distribution is made after you attain age 59½, or upon your death or disability; you may then be entitled to a tax-free distribution of earnings. In addition you must also satisfy the “five-year rule.” The five-year rule is satisfied once you have had funds in your Roth account for a period of five years.

13 When must I begin taking distributions?

You must begin taking distributions by April 1 following the later of the year you turn age 70½ or the year in which you retire.

14 If I participate in the 457(b) plan, can I also make a contribution to my IRA and/or 403(b)?

As long as you have earned income or you and your spouse have earned income, you can contribute to your IRA until the year before you reach age 70½. However, whether or not the contribution is deductible or eligible for a Roth IRA will depend on your modified adjusted gross income (MAGI). If you are eligible to contribute to a Roth IRA, you may do so even after you have attained age 70½.

If your employer sponsors a 403(b) plan in addition to the 457(b), you can make 403(b) contributions in addition to your 457 contributions.

15 What is the special catch-up rule?

If you are within three years of retirement, you may be able to increase your catch-up contributions under a special rule for 457(b) plan participants. You may be able to double the annual pretax contributions and/or Roth aftertax (**if plan permits**) contributions you make. This option is available only if you did not always contribute the maximum under the plan. You will need to review historical payroll contributions to determine how much additional catch-up is available.

16 How do I transfer money to a Lord Abbett 457(b) plan account?

(1) Each employee completes a Lord Abbett Contribution Election form. This application establishes a Lord Abbett 457(b) account and enables an employee to make his or her initial investment elections.

(2) The plan sponsor requests the necessary transfer forms from the existing financial institution. Once completed, the forms are returned to the existing financial institution, which is instructed to make a check payable to: the name of your town, city, county, etc., Trust, for benefit of (FBO) participant's name (e.g., Town of ABC Trust, FBO: Participant XYZ). To ensure a smooth transition, the sponsor will request that the employee's Social Security number be referenced on the check. The plan sponsor will inform the financial institution that this is a nontaxable plan transfer.

When the transfer check is received from the former financial institution, the trustee will endorse this check over to Lord Abbett and mail it to:

Lord Abbett Service Center
P.O. Box 219604
Kansas City, MO 64121-9604

Upon receipt of the transfer check, purchases will be made on the participant's behalf according to the investment elections selected. If no investment elections are selected, all contributions will be invested in the appropriate default investment selected by the sponsor.

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