What is a section 457(b) deferred compensation program?

A number of voluntary retirement programs are defined in the Internal Revenue Code (IRC). These include section 457(b) programs, commonly called 457 deferred compensation programs. Deferred compensation programs allow eligible employees to save and invest before-tax and after-tax (Roth) dollars through voluntary paycheck contributions, supplementing any existing retirement/pension benefits.

Why should I participate?

Having a WDC account may help provide a more comfortable financial future. You receive quality investment options, access to local service representatives, local call center support, and financial education services and planning tools that can help you better prepare for retirement.

Is there any reason why I should not participate in the WDC?

Participating may not be advantageous if you are experiencing financial difficulties, have excessive debt, or do not have an adequate emergency fund (typically in an easy-to-access account).

Who is eligible to participate?

The WDC is a voluntary supplemental retirement savings program for all active state and university employees. Active local government and school district employees may also be eligible if your employer has elected to offer this optional benefit program.

Does participation in the WDC affect my pension or reduce my Wisconsin Retirement System or Social Security benefits?

No. The WDC is a voluntary supplemental retirement program and does not replace or reduce any of your Wisconsin Retirement System or Social Security benefits.

What are the advantages of before-tax savings?

With tax-deferred savings, you pay no income taxes on any contributions or their potential earnings until you withdraw the money. This further enhances the benefit of compounding—generating returns on money that you would have paid in taxes if those taxes had not been deferred. Any earnings are reinvested in your account, where they have the potential for continued growth because they are not reduced by taxes each year.

What are the advantages of after-tax (Roth) savings?

Roth contributions are made with after-tax dollars. Roth 457 contributions reduce your take-home pay because you pay taxes on any earnings immediately rather than deferring those taxes until you take a distribution. Therefore, your contributions and any earnings are not taxed upon distribution. This can be beneficial if you expect to be in a higher tax bracket during retirement than in your working years.
Contribution Amounts

<table>
<thead>
<tr>
<th>How much can I contribute?</th>
<th>If you are...</th>
<th>You are eligible to contribute the...</th>
<th>2020 limit</th>
<th>Total annual limit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Any age</td>
<td>Regular contribution limit</td>
<td>$19,500</td>
<td>$19,500</td>
</tr>
<tr>
<td></td>
<td>Age 50 and older</td>
<td>Age 50+ catch-up contribution</td>
<td>$6,500</td>
<td>$26,000</td>
</tr>
<tr>
<td></td>
<td>Nearing retirement</td>
<td>Special catch-up contribution</td>
<td>$19,500</td>
<td>$39,000</td>
</tr>
</tbody>
</table>

If you are within three years of your normal retirement age, you may be eligible to use the special catch-up contribution option.¹ You may not contribute to both the special catch-up option and the age 50+ catch-up option in the same calendar year, even if you are eligible for both options.² Catch-up contribution limits are in addition to the regular contribution amount depending on how much you undercontributed in prior years. You are responsible for monitoring your contributions to ensure that you stay within the annual limits. The special catch-up option requires a completed form. Please contact the WDC for more information before contributing more than $26,000.

How much can I contribute?
You may contribute up to the limits shown in the chart above.

Changing your deferral amount
Once you know the amount you wish to defer and the date of your sabbatical check, call the WDC toll free at (877) 457-WDCP (9327), or log on to www.wdc457.org with your username and password to request a deferral change.

NOTE: The WDC can process this request for you as long as you give us approximately 30 days’ notice. If you are beyond the date on which the WDC can make the change, you will have to ask your payroll staff if they are willing to manually process your sabbatical contribution to the WDC.

Do I have any options for deferring sabbatical, sick, vacation, or back pay?
You must have an active WDC account before you retire in order to defer your sabbatical or final pay, and eligibility is dependent on your employer. If you are not yet enrolled, refer to the last page of this brochure for assistance.

Getting started
You will need to know the exact dollar amount of your payment and the date of the check that will include your payout. (Your payroll staff may be able to help you determine the amount of your sabbatical time.) When determining the amount you wish to defer to the WDC, keep in mind that FICA and any normal deductions you have coming out of your paycheck will also be withheld from the sabbatical check; therefore, you want to be sure that the amount you choose to defer leaves enough money for FICA and the other deductions. If your WDC deferral amount is too much, you may end up having $0 deferred to the WDC from your sabbatical check.
Investments

What are my investment option choices, and how do I know which investments are right for me?

You can choose from the current array of investment options, including target retirement date portfolios, mutual funds options, commingled trust options, a core stable value option, and an FDIC-insured bank option.

The menu of investments is selected and monitored by the Deferred Compensation Board. The appointed members of the Board ensure that the WDC offers a well diversified array of investment opportunities. Current investment options are described in the investment option fund overviews, and investment information is also available through the WDC website at www.wdc457.org and at (877) 457-WDCP (9327). The voice response system and website are available to you 24 hours a day, seven days a week. We recommend you request and review current prospectuses before making investment decisions.

In addition to the core investment options, a self-directed brokerage account (SDBA) is available through an agreement with Charles Schwab, Inc. The SDBA allows you to select from numerous mutual fund options for additional fees. These securities are not offered through GWFS Equities, Inc. The SDBA option does not provide the ability to purchase stocks, commodities, or exchange-traded funds through the WDC. It is limited to mutual funds only at this time. The SDBA is intended for knowledgeable investors who acknowledge and understand the risks associated with the investments contained in the SDBA. You will receive a separate statement from Charles Schwab that details the investment holdings and activity within your SDBA, including any fees and charges imposed in connection with the SDBA.

Carefully consider the investment option’s objectives, risks, fees, and expenses. Contact Empower Retirement for a prospectus, summary prospectus for SEC registered products or disclosure document for unregistered products, if available, containing this information. Read each carefully before investing. Prospectuses can also be obtained online at www.wdc457.org. For prospectuses related to investments in the SDBA, contact Charles Schwab at (888) 393-7272. Read the prospectuses carefully before investing.

What if I don’t know which investments to choose?

Additional investment information may be found on the WDC website at www.wdc457.org.

The WDC also offers a suite of investment advisory services called Empower Retirement Advisory Services, which is provided by Advised Assets Group, LLC, a registered investment adviser. The services include Online Advice and My Total Retirement. There is no guarantee provided by any party that participation in any of the advisory services will result in a profit.
**Rollovers**

Can I combine assets from my other retirement plans into my before-tax WDC account?

Yes. By rolling your other retirement savings accounts [401(k), 403(b), 457(b), IRA, etc.] into your WDC account, you can simplify your life in the following ways:

- Save time by only having to use one website.
- Reduce clutter with one statement.
- Enjoy the convenience of having a portfolio in one place.5
- Know your beneficiaries have the ease of one account upon payout.

Please note: All non-457 plan assets transferred into the WDC remain subject to an early withdrawal penalty that does not apply to 457 plan assets. In addition, 457 plan assets transferred into another plan [IRA, 401(k), 403(b), etc.] may become subject to the early withdrawal penalty when distributed from the new, non-457 plan. You are encouraged to discuss rolling money from one account to another with your financial advisor/planner, considering any potential fees and/or limitations of investment options. For more information and/or to begin the rollover process, call a Retirement Consultant at (888) 737-4480.

Can I combine assets from my other retirement plans into my Roth WDC account?

Yes. You may transfer a prior employer-sponsored Roth account into the WDC Roth 457(b) account. However, per Internal Revenue Service (IRS) regulations, you are not allowed to transfer Roth IRAs into your WDC Roth account.

What are the benefits of combining assets with the WDC?

When you combine assets with the WDC, you can take advantage of State of Wisconsin oversight, low fees, and consolidation of statements for easier review.

If I leave public employment, must I transfer or roll over my WDC account?

No, you don't have to do anything with your WDC account. Upon leaving public employment, your options are to:

1. Leave your money in the WDC and continue to take advantage of the WDC's diverse selection of investment options, account management tools, and dedicated service representatives. Transferring your account balance is not required.
2. Transfer or roll over your account balance to another eligible governmental section 457 plan if your new employer accepts this type of transfer and/or rollover.
3. Roll over your account balance to a section 401(a), 401(k) or 403(b) plan, or IRA. Remember that your section 457 assets may be subject to an early withdrawal penalty if distributed from your new plan prior to you reaching age 59½.6 Also, be aware that some services available in the WDC may not be available in another plan. There is a Fee Comparison Worksheet located on www.wdc457.org to help you weigh your options. You are encouraged to discuss rolling money from one account to another with your financial advisor/planner and to consider any potential fees and/or limitations of available investment options.
Distributions

What are my distribution options?
When you are eligible for a distribution, you may:
• Leave the value of your account in the WDC until a future date.
• Receive periodic payments, a lump-sum payment or a partial lump-sum payment, and change this payment type at any time.
• Roll over or transfer your funds to another eligible plan.

When can I withdraw the money from my before-tax account?
Your before-tax money may be withdrawn only when you:
• Retire (and have received your final paycheck).
• Experience an unforeseeable emergency within the WDC guidelines.
• Pass away [your designated beneficiary(ies) will receive your benefits].
• Terminate employment (and have received your final paycheck).

You are not required to take a distribution until April 1 of the calendar year following the year you reach required minimum distribution (RMD) age; you can leave your account balance in the WDC until that time even if a distribution event has occurred.

How much income tax will be withheld from my before-tax distributions?
Withholding will vary depending on the type of distribution you request. Generally, the mandatory 20% federal income tax withholding will apply to before-tax distributions unless you elect a direct rollover of the entire amount or periodic payments that last longer than 10 years, or if the payment is a required minimum distribution. A 1099-R will be issued to you by January 31 of the year(s) following the year(s) in which you receive a distribution.

When can I withdraw the money from my after-tax (Roth) account on a tax-free basis?
Your after-tax distributions are free from income taxes and penalties if you withdraw your after-tax contributions and earnings after holding the account for at least five years and:
• You are at least age 59½ and have severed employment (and received your final paycheck).
• You become disabled.
• You experience an unforeseeable emergency defined as a severe financial hardship.
• You pass away [after which your beneficiary(ies) will take the withdrawal].

If a distribution is made from your after-tax 457 account before you reach age 59½ and it is not due to an unforeseeable emergency, death, disability, or you reaching the five-year period beginning with your first after-tax contribution, you will pay income taxes on any earnings that are distributed.

What qualifies as an unforeseeable emergency?
According to the IRS and its Treasury Regulation 1.457-6(c), an unforeseeable emergency is a “severe financial hardship” to the participant or beneficiary resulting from:
• An illness or accident affecting the participant or the participant’s spouse or dependent.
• Loss of property due to casualty (including the need to rebuild a home following damage to the home not otherwise covered by homeowner’s insurance, e.g., as a result of a natural disaster).
• The imminent foreclosure of a primary residence.
• The need to pay medical expenses, including nonrefundable deductibles or the cost of prescription drug medications.
• The need to pay funeral expenses of a spouse or dependent.

You must prove that you are experiencing a severe financial emergency and provide evidence that you have exhausted all other sources of income in order to remove before-tax and/or after-tax (Roth) dollars from the WDC.

If you feel your situation meets the IRS requirements for a financial emergency and your WDC account is the only choice you have, call (877) 457-WDCP (9327) and request an Unforeseeable Emergency Withdrawal Request Form and Application. You must provide documentation supporting your application.
For further information about unforeseeable emergencies, please refer to the WDC Unforeseeable Financial Emergency Withdrawal Guide or the WDC Plan and Trust Document.

What happens to my money when I pass away?
Your designated beneficiary(ies) will receive the remaining value of your account, if any. Your beneficiary(ies) should contact the WDC to discuss the available distribution options and apply for a distribution. If no beneficiary designation is on file, beneficiaries will be determined according to standard sequence as defined in Wisconsin statutes and detailed in the WDC Plan and Trust Document.

Does the WDC offer loans?
No, the WDC does not offer loans.

Fees

What administrative fees will I pay?
A monthly fee is deducted from your WDC account to cover the cost of administering the WDC. You will see this fee detailed on your quarterly statement. The current fees are noted in the table below.

<table>
<thead>
<tr>
<th>Account Balance</th>
<th>Monthly Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 to $5,000</td>
<td>$0</td>
</tr>
<tr>
<td>$5,001 to $25,000</td>
<td>$1</td>
</tr>
<tr>
<td>$25,001 to $50,000</td>
<td>$3.25</td>
</tr>
<tr>
<td>$50,001 to $100,000</td>
<td>$6.50</td>
</tr>
<tr>
<td>$100,001 to $150,000</td>
<td>$8.50</td>
</tr>
<tr>
<td>$150,001 to $250,000</td>
<td>$11.75</td>
</tr>
<tr>
<td>Over $250,000</td>
<td>$17.50</td>
</tr>
</tbody>
</table>

Are there any other fees I should know about?
Yes, there are investment management fees (also known as expense ratios) that vary by investment option. These fees are deducted by each investment option’s management company (not by the WDC) before the daily price or performance is calculated. Expense ratio fees are used to pay for securities trading in the underlying funds and other management expenses.

You can find the WDC’s investment option expense ratios on the website at www.wdc457.org or in the WDC’s annual investment performance report. Investment management companies may impose redemption fees and/or transfer restrictions if assets are held for less than the published holding period. Asset allocation funds may be subject to a fund operating expense at the fund level, as well as a prorated fund operating expense for each underlying fund in which they invest. For more information, please refer to the fund’s prospectus.

Charles Schwab Personal Choice Retirement Account® (PCRA)—There is no extra fee to participate in the SDBA offered through Charles Schwab PCRA; however, additional transaction fees may apply. For more information on the PCRA option, contact the WDC.

What fees do I pay to participate in Empower Retirement Advisory Services?

Online Advice—Available at no additional cost to you.

My Total Retirement—if you choose to have AAG manage your WDC account for you, the annual fee will be based on a percentage of your managed account balance, as shown in the table below, and assessed to your account quarterly.

<table>
<thead>
<tr>
<th>Managed Account Balance</th>
<th>Annual Managed Account Fee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to $100,000</td>
<td>0.45%</td>
</tr>
<tr>
<td>Next $150,000</td>
<td>0.35%</td>
</tr>
<tr>
<td>Next $150,000</td>
<td>0.25%</td>
</tr>
<tr>
<td>Greater than $400,000</td>
<td>0.15%</td>
</tr>
</tbody>
</table>

For example, if your account balance is $50,000, the annual My Total Retirement fee will be 0.45% of the account balance, or $225. If your account balance is $500,000, the first $100,000 will be subject to an annual fee of 0.45%; the next $150,000 will be subject to an annual fee of 0.35%; the next $150,000 will be subject to an annual fee of 0.25%; and any amounts over $400,000 will be subject to an annual fee of 0.15%.

Participation in My Total Retirement is voluntary. You may opt out at any time.
How Do I Enroll?

To enroll in the WDC:

Visit www.wdc457.org or call the WDC to obtain an enrollment form.

For more information, call or visit your local WDC office at:

5325 Wall St., Suite 2755
Madison, WI 53718
(877) 457-WDCP (9327)

1 Normal retirement age is 65 unless otherwise specified by your employer or unless you are categorized as a protective employee. Please contact your employer's human resources representative or payroll staff if you have any questions regarding normal retirement age.

2 In order to contribute an additional catch-up amount, you must complete the catch-up election form and return it to the WDC. The form is available by calling the WDC office in Madison at (877) 457-9327.

3 Transfer requests made via the website and/or the voice response system received on business days prior to close of the New York Stock Exchange (4 p.m. Eastern time or earlier on some holidays or other special circumstances) will be initiated at the close of business the same day the request was received. The actual effective date of your transaction may vary depending on the investment option selected.

4 The Stable Value Fund is backed by the general assets of Galliard. Galliard is not affiliated with Empower Retirement, LLC and its affiliates.

5 Diversification does not ensure a profit and does not protect against loss in declining markets.

6 Withdrawals may be subject to ordinary income tax. The 10% federal early withdrawal penalty does not apply to 457 plan withdrawals except for withdrawals attributable to rollovers from another type of plan or account.

7 The RMD age is 70½ for individuals who turned 70½ on or before December 31, 2019. The RMD age is 72 for individuals who turn age 70½ after December 31, 2019.

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Securities available through Schwab Personal Choice Retirement Account® (PCRA) are offered through Charles Schwab & Co., Inc. (Member SIPC), a registered broker-dealer. Additional information can be obtained by calling (888) 393-7272. Charles Schwab & Co., Inc. and GWFS Equities, Inc. are separate and unaffiliated.

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