

CTdcp news

SPECIAL
EDITION

STATE OF CONNECTICUT DEFERRED COMPENSATION 457 PLAN

New Procedures For Making Catch-up Contributions to the Deferred Compensation 457 Plan

This special edition newsletter is being issued to explain new procedures that will apply to all future catch-up contributions to the State of Connecticut Deferred Compensation 457 Plan. These new procedures have been adopted to comply with a recent audit of our Deferred Compensation § 457 Plan by the Internal Revenue Service. If you have already made catch-up deferrals, or are thinking about making them in the next few years, please take a moment to familiarize yourself with the new requirements.

Going forward, all participants desiring to make either Age 50 or Special § 457 Catch-up Deferrals must first elect a Normal Retirement Age (NRA). The NRA can be on or after a year in which you are eligible to retire with full benefits under the basic pension plan or age 65 (for Alternate Retirement Program participants), but it cannot be earlier than age 40 or later than age 70½.

After you select your NRA, fill out a new Participation Agreement Form CO-783 and indicate whether you want to make the Age 50 Catch-up or the Special § 457 Catch-up deferral. The purpose of the NRA election is to

identify the catch-up option applicable to your situation. The age you select will have no real impact on your actual retirement date; however, once made, your NRA election cannot be changed.

The Age 50 catch-up option is available to participants who will turn age 50 by December 31st and want to make more than the maximum normal deferral. For 2008, the normal deferral ceiling will be \$15,500, and the Age 50 catch-up limit is \$5,000.

The Special § 457 Catch-up option is available only during the three-year period before the year you reach your NRA. It allows you to make up for amounts you did not defer to the Plan in prior years. If you are within this period – and are not eligible to participate in the 403(b) plan – you may be able to defer more than is permitted using the combined normal and Age 50 limits (\$20,500 for 2008).

To determine your eligibility, you will have to complete a Special § 457 Catch-up Underutilization Worksheet, which will tally your accumulated underutilization. The most you can defer in any year is the lesser of the normal deferral ceiling plus your available underutilization or twice the normal annual limit. For 2008, the

maximum is \$31,000 (2 x \$15,500). You can use whichever option provides the greater benefit, but you cannot make both Age 50 and Special § 457 Catch-up deferrals in the same year.

NOTE: In order to make Special § 457 Catch-up deferrals for 2008, you must submit a new Participation Agreement and supporting documentation by April 1, 2008.

Thereafter, the deadline for submitting required paperwork for Special 457 Catch-up Deferrals to take effect in January of the following year will be May 1st.

Even if you have made Age 50 or Special § 457 Catch-up deferrals in the past, you must still complete an updated Participation Agreement that specifies your NRA. Unless ING, the Plan Administrator, receives an updated Form, your maximum deferral for 2008 will be capped at \$15,500.

To download the Special § 457 Catch-up Underutilization Worksheet or for more information about using the catch-up provisions and for help in determining your eligibility or deferral amount, go to www.CTdcp.com and click on "Catch-up Contributions" or contact ING at (800) 584-6001.

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