

What Happens to Your Choice 401(k) Plan Money When You Retire?

When you retire from a PERSI employer, you have several options for your Choice Plan money.

1. Leave Your Money in the Plan

If you have at least \$1,000 in your account, you may leave it in the PERSI Choice 401(k) Plan until you turn 70½, at which time the IRS requires you to begin taking a required minimum distribution (RMD) from the plan each year. (If you have less than \$1,000, the account will automatically be closed, and the money will be paid to you.) By leaving your money in the Choice Plan, you defer paying taxes. The Choice Plan not only offers funds with low investment fees, but it also has competitive administrative fees. Fees will be assessed against your account monthly.

You may request a distribution at any time. In addition, you may roll over money from other eligible plans (such as 457, 403(b) or other 401(k) plans) or traditional pretax IRAs into the Choice Plan after you retire.

2. Purchase Base Plan Service Credits

You may convert all or part of your Choice Plan account to purchase credited service under the PERSI Base Plan. To take advantage of this option, you must have completed the necessary Purchase of Service paperwork within the 90-day period preceding the date before your retirement. Call PERSI within 90 days before your retirement if you want to purchase up to 48 months of credited service.

3. Take a Lump-Sum Distribution

You may take a lump-sum distribution of all or part of your Choice Plan money. Any amounts payable to you that are eligible for rollover distributions will be subject to federal income tax withholding of 20 percent.

If you retire at age 55 or older, you may qualify for an exemption from the 10 percent federal early distribution penalty. If you are under 55, however, you may incur an early distribution penalty unless you are eligible to receive “substantially equal payments” (see Option 5). Generally, distributions not eligible for rollover will be subject to 10 percent federal withholding unless you elect a different rate.

4. Roll Over to an IRA or Eligible Retirement Plan¹

You may transfer your pretax Choice Plan account balance via direct rollover into an eligible retirement plan, such as a 401(a), 401(k), 403(a), 403(b) or 457 plan, or a pretax or Roth IRA. Roth balances must transfer to a Roth-eligible retirement plan. Transferring your money via direct rollover may avoid any immediate tax impact. A beneficiary may only take a rollover distribution if he or she is the surviving spouse of the participant. A nonspouse beneficiary can choose a direct rollover to a pretax IRA that will be treated as an inherited IRA.

5. Receive Periodic Installment Payments

You may receive periodic installment payments from your Choice Plan account if your balance exceeds \$5,000. Installments can be paid to you monthly, quarterly, semiannually, or annually. Your installment option may be affected by minimum distribution requirements when you turn age 70½. Installment payments can be made by direct deposit.

6. Choose a Combination of Options

You may also choose a combination of any of the above options as long as you maintain the required minimum balance of \$1,000 in your account. For example, you may want to take a small distribution and leave the balance in your account, or you may wish to use a portion for a purchase of service and then roll over¹ the balance to another eligible plan or IRA.

For Options 3-4: Request a withdrawal online after logging on through your myPERSI login (www.persi.idaho.gov) and hotlinking to your Choice Plan account. After you've logged on to your secure account, go to the "Loans & Withdrawals" tile and initiate a withdrawal request. If you do not have Internet access, call the Empower Retirement Service Center at 866-437-3774² between 7 a.m. and 6 p.m.

Mountain time. You will be able to speak directly with a representative³ who can assist you with the Choice Plan and can mail a Distribution form to you.

All types of withdrawals will require the completion of a Distribution form, which can be obtained from the "Forms" tile of your Choice Plan account or from the PERSI website under Documents & Forms.

If you decide to leave your money in the Choice Plan until a later date, you don't need to take any action at this time. Recordkeeping and administrative fees will continue to be assessed to your account. When you are retired and are age 70½ or older, the federal government may require you to take a Required Minimum Distribution (RMD). If your account balance falls below \$1,000, the account will automatically be closed, and the money will be paid to you.

Questions? Please call 866-437-3774²



¹ You are encouraged to discuss rolling money from one account to another with your financial advisor/planner, considering any potential fees and/or limitation of investment options.

² Access to the voice response system and/or any website may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons.

³ Representatives of GWFS Equities, Inc. are not registered investment advisors and cannot offer financial, legal or tax advice. Please consult with your financial planner, attorney and/or tax advisor as needed.

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