



“Plan” to do more.

*Give your employees
one more tool for
their future.*

As a Pennsylvania public employer, you have a unique opportunity. You can offer your employees the ALOM 457(b) Deferred Compensation Plan or ALOM 401(a) Plan, sponsored by the Allegheny League of Municipalities—even if you already have a Defined Benefit pension plan, or even a 457 or 401(a) plan with another provider.

Helping your employees prepare for a more secure future is one of the most important things you can do as an employer. But they need the right tools. And by including the ALOM Deferred Compensation Plan (a 457(b) plan) and/or the ALOM 401(a) Plan in your benefits offering, you are giving them one more tool that could be key to their financial future.

Why their pension won't be enough

Pension plans are not meant to replace 100% of an employee's income. In fact, the average yearly benefit paid by the Pennsylvania State Employees' Retirement Systems (SERS) is only \$25,839. And individuals collecting a Pennsylvania pension have no automatic protection against inflation.¹ So it's easy to see why giving your employees additional ways to save for retirement is so crucial.

Before we get into specifics of these two plans, let's review some details about 457(b) and 401(a) plans in general.

What is a 457(b) plan?

A 457(b) plan is a type of retirement savings plan offered by governmental entities that:

- allows payroll-deducted employee contributions
- has no 10% penalty for withdrawals made before age 59½
- is intended to help public employees meet long-term supplemental savings objectives that a pension alone might not achieve

What is a 401(a) plan?

In some respects, a 401(a) plan is quite similar to 401(k) plans commonly available to non-governmental employees. A 401(a) plan is an employer-sponsored retirement savings plan that:

- allows for a combination of employee and employer contributions should you offer a match or employer contribution
- is intended to give public employees a supplemental source of retirement income

Why would we want to add a 401(a) plan?

Very commonly, 401(a) plans are used to replace pensions that newly hired employees may not be eligible for, or in which they have a reduced benefit accrual. If your council or board has been concerned about the impact of future defined benefit costs, a 401(a) might be the solution.

How can a 457(b) plan or a 401(a) plan help your employees?

Experts estimate that the average American worker will need 70 to 90% of their pre-retirement income each year to maintain their current standard of living when they stop working. Lower-income earners may need more than 90%. Current retirement programs, such as a pension, might not provide sufficient income for your employees to sustain their lifestyle in retirement, so supplementing a pension plan with a retirement plan such as a 457(b) or a 401(a) plan can help.

How do 457(b) and 401(a) plans differ from a pension plan?

These defined contribution plans are different from pension (defined benefit) plans in a few ways:

- A 457(b) plan is funded only with participant contributions, while a 401(a) is funded with employee and/or employer contributions, using a formula that the employer designates.
- Participants decide how to invest all contributions.
- There is no promise of a specified benefit amount at retirement.

About the ALOM Deferred Compensation Plan (457(b) Plan) and the ALOM 401(a) Plan

ALOM has offered employees of participating municipalities and authorities these plans for over 30 years. Here are just some of the plans' features:

- **Automatic pre-tax payroll deductions.**² Plan contributions are made through convenient payroll deductions. Each employee can save up to \$18,000 in 2017.
- **Catch-up contributions.**² Employees who are age 50 or older by December 31, 2017 can save an additional \$6,000 in 2017.
- **An array of investment choices.** The plans offer competitively priced investment options in several asset classes—including stable value, fixed income, large-cap, small-/mid-cap, international and global stocks.
- **Roth after-tax contributions.**² The plans allow both pre-tax and after-tax Roth contributions, which can provide participants tax advantages based on their circumstances and needs.
- **Easy asset allocation.** GoalMaker®, the plans' optional, no-additional-cost asset allocation program, can help employees quickly and easily select a mix of investments.
- **Access to their money.** If an employee terminates employment or retires, he or she can withdraw their account balance at any age without early withdrawal penalties.²
- **Online account access and helpful tools.** In addition to 24/7 account access, employees can tap into a host of retirement planning resources, like interactive calculators and online tutorials.
- **Guaranteed lifetime income.**³ An optional IncomeFlex feature offers sustained potential for growth, downside protection for retirement income and flexible access to employees' market value.

The Benefits for Employers

- ALOM offers these plans as a benefit of your membership without any passed along administrative or recordkeeping expenses.
- Professional management—both an independent investment advisor and a Governance Committee, consisting of your peer municipal managers, oversee the ALOM Retirement Plans
- Easy payroll setup and ongoing support
- Access to the educational and financial tools of Prudential Retirement®, the plans' recordkeeper

Already have an existing deferred compensation plan?

If you currently maintain a 457(b) or 401(a) plan for your employees, you can choose to:

1. **Terminate the plan** and move your employees to the ALOM Deferred Compensation Plan.
2. **Suspend active participation in the plan**, enabling employees to keep their existing investments working for them.
3. **Keep the plan active**, while still allowing the option of the ALOM Deferred Compensation Plan for increased flexibility and services.

Questions to help you decide:

- Would my employees appreciate an additional pre-tax or Roth after-tax opportunity to save for retirement?
- Would this plan help me to attract and retain talent?
- Is there a cost-savings opportunity involved in adding or replacing my current plan?
- Would adding one or both of these plans simplify overall plan administration and retirement education?
- Would my employees find it more convenient to access one website for any plans recordkept by Prudential?
- Would there be any increased efficiencies that could help reduce my administrative costs?

Ready to learn more?

It's easy to add the ALOM Deferred Compensation Plan or ALOM 401(a) Plan to your benefit offering. Prudential Retirement is ready to be your partner—helping you:

- Understand the plans' provisions
- Gather plan documentation
- Review options for your current 457(b) or 401(a) plan
- Iron out payroll processing details
- Handle records conversion and asset transfer
- Navigate legal contracts
- Develop employee communications
- Create a transition timeline and review the milestones

For more details, visit AlleghenyLeague.org, then choose *ALOM Retirement Solutions* under *Essential Member Resources*.

You can find sample educational material from Prudential Retirement, enrollment material and other information to get you started.

If you have questions, please contact the Allegheny League of Municipalities at [412-261-2521](tel:412-261-2521) or via email at jason@alleghenyleague.org.



¹Source: "Pennsylvania Has Modest Public Pension Benefits," Keystone Research Center, June 29, 2015. Web. July 26, 2017. <https://www.keystoneresearch.org/pensionprimer13>

²Deferred Compensation Plan only.

³Guarantees are based on the claims-paying ability of the insurance company and are subject to certain limitations, terms and conditions. Withdrawals or transfers (other than transfers between Active IncomeFlex Target Funds) proportionately reduce guaranteed values prior to locking in. After lock-in, withdrawals in excess of the lifetime annual withdrawal amount will reduce future guaranteed withdrawals proportionately and may even eliminate them. Market value is not guarantee and will fluctuate with market volatility.

GoalMaker is an optional tool and available at no additional cost. GoalMaker's model allocations are based on generally accepted financial theories that take into account the historic returns of different asset classes. Past performance of any investment does not guarantee future results. Prudential Financial encourages participants to consider their other assets, income and investments when enrolling in the GoalMaker program. We also recommend participants periodically reassess their GoalMaker investments to make sure their model portfolio continues to correspond to their changing attitudes and retirement time horizon.

Retirement products and services are provided by Prudential Retirement Insurance and Annuity Company (PRIAC), Hartford, CT or its affiliates. PRIAC is a Prudential Financial company.

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