

A brief comparison between the Minnesota State Deferred Compensation (457) Plan and Most Tax-Sheltered Annuity (403b) Plans based on EGTRRA provisions effective January 1, 2006. This information should only be used as a guide. Please consult with your tax or financial advisor for further recommendations.

	403(b) Plan Tax-sheltered Annuities	457 Plan Deferred Compensation
Withdrawal of money	At least age 55 and retired or 59 ½ to receive plan payout without penalty. Withdrawals of pre-1989 monies prior to age 55 may be subject to an IRS 10% premature withdrawal penalty.	No minimum age for distribution of funds. Withdrawals can begin at separation from service without penalty: required beginning date of payout is age 70 ½.
Investment maximums per year	The lesser of \$15,000 per year maximum deferral or 100% of compensation. Employer matching dollars are in addition to the maximum. The MEA component of the contribution test is elimination. Additional contributions for workers over age 50.	The lesser of \$15,000 per year maximum deferral or 50% of taxable income in 2006. Employer matching dollars are included in the \$15,000 limit. Additional contributions for workers over age 50. See next page for future limits.
Participation in plans	Participation in a 403(b) plan and 457 plan are permitted and limits are independent.	Participation in 457 plan and 403(b) plan are permitted and limits are independent.
Catch up provisions	Catch up is available for qualifying employees after the employee has completed fifteen (15) years of service with the current employer. The maximum additional amount that may be deferred is \$3,000 per year to a lifetime maximum of \$15,000.	Catch up provision is available for qualifying employees. The catch up provision may be used for three (3) consecutive years. Maximum contribution is \$30,000 in 2006. An employee must be within 3 years of normal retirement and not have deferred the maximum amount for each year after January 1, 1979. See next page for future limits.
Rollover to another plan	Rollover to an IRA, 457, 401(k) to or from another employer's plan is permissible.	Rollover to an IRA, 457, 401(k) to or from another employer's plan is permissible.
Payout choice change	Changeable if allowed by company.	Changeable if allowed by company
Loans	Permitted if allowed by plan	No loan provision.
Hardship withdrawal	Allowable for financial emergency. Only the amounts attributable to a salary reduction agreement may be withdrawn, not the earnings on these contributions.	Allowable for unforeseeable financial emergency. Hardship withdrawal requests for home purchase and college expenses are not permissible.
Contribution changes	Determined by the employer	Unlimited contributions changes.
Vesting of deferrals	Immediately – assets held in trust	Immediately – assets are held in a trust, annuity contract or custodian account for the exclusive benefit of participants. Assets are protected from bankruptcy of the employer.
Types of companies	Employees who work for hospitals, educational and religious institutions.	All State and local government and school district employees.