

PLAN FEATURES AND HIGHLIGHTS

The Commonwealth of Virginia 457 Plan can help you take flight toward an even more secure financial future. This Plan is available to you as a convenient way to save for retirement. And the sooner you start participating in the 457 Plan, the sooner you begin enjoying the **benefits of before-tax savings, a cash match, and tax-deferred growth and compounding**. **NOTE:** Funds are available to you upon severance of employment. However, while you are an employee, funds are only available in cases of severe financial hardship. Review your available resources to determine the amount you are able to contribute to your 457 Plan.

Before-Tax Savings

The Wonder of More Money in Your Pocket

Consider this hypothetical example to the right: ➤ Sarah earns \$2,000 a month in regular pay and wants to save \$100 a month in the 457 Plan. Let's compare how much she would save before-tax (through this 457 Plan) versus after-tax (through a bank savings account, for example).

The Cash Match

The Beauty to Inspire You to Start Saving

Because her employer provides a cash match, Sarah shares in another valuable benefit. Subject to eligibility, she also receives an employer cash match! Let's assume that the match is \$20 per pay period on a semi-monthly basis. **That's an additional \$40 per month or \$480 per year contributed to her Cash Match Plan!**

Tax-Deferred Growth & Compounding

The Strength to Withstand the Test of Time

Let's continue the hypothetical example of how the power of tax-deferred compounding and growth can help Sarah build a larger retirement nest egg. Assume that Sarah contributes \$100 per month for 20 years to the 457 Plan, investing a total of \$24,000. She also receives the Cash Match of \$40 per month which is another \$9,600.

After 20 years, assuming an 8% average annual return, no withdrawals, and monthly compounding, Sarah's combined accounts could have grown to \$83,013. It happens because any earnings in your Plans are reinvested ... and those earnings can generate more earnings!

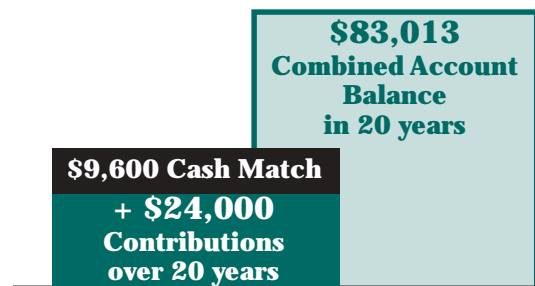
Sarah's Paycheck Comparison

	Contributing Before-Tax	Contributing After-Tax
Gross Pay	\$2,000	\$2,000
Minus Before-Tax Contributions to Plan	- 100	- 0
Taxable Pay	\$1,900	\$2,000
Minus Estimated Income Tax	- 551	- 580
Withholding from Pay		
Take-Home Pay	\$1,349	\$1,420
Minus After-Tax Contributions to Other Accounts	- 0	- 100
Spendable Pay	\$1,349	\$1,320
Before-Tax Advantage	\$29	None
Cash Match (Direct Employer Contribution)	\$40	None

By contributing before-tax in this Plan, Sarah has **\$29 more** to spend (or save!) each month – **\$348 more per year**.

This hypothetical illustration assumes federal tax withholding of 25%, state & local tax withholding of 4%, and does not account for Social Security.

Potential Account Growth Over the Long-Term



For illustrative purposes only. The final combined account balance has not been reduced by any Plan fees or expenses; including these fees would reflect lower net returns. Investment return and principal value will fluctuate so when shares are redeemed they may be worth more or less than original cost.

Read on to learn more about your Plans! ➤

	<p>Read these Plan Features and Highlights to learn more about your Deferred Compensation and Cash Match Plans and how simple it is to enroll. If you have any questions, please contact your Great-West Retirement ServicesSM representative at toll free 1-866-226-6682, option 2.</p>																	
	Deferred Compensation Plan	Cash Match Plan																
Who is eligible to enroll?	Effective July 1, 2002, all employees of the Commonwealth and participating employers including wage employees and elected or appointed officials are eligible to enroll.	Full-time or part-time salaried employees of the Commonwealth and political subdivisions that have elected the Cash Match Plan are eligible if they are making continuous 457 contributions. ¹																
Who contributes?	You.	Your Employer.																
How do I enroll?	Complete the Participant Enrollment Form and Beneficiary Designation Form.	It's automatic (for full-time or part-time salaried employees) once you enroll in the Deferred Compensation Plan and are making continuous contributions of at least \$10 per pay day to the Deferred Compensation Plan.																
What is the contribution amount?	<p>The minimum amount you can contribute is \$10 per pay day. The maximum you can contribute is up to 100% of includible compensation or the maximum listed in the table below, whichever is less.</p> <table border="1"> <thead> <tr> <th>Year</th> <th>Maximum</th> <th>Age 50+</th> <th>Std. Catch-Up</th> </tr> </thead> <tbody> <tr> <td>2004</td> <td>\$13,000</td> <td>\$3,000</td> <td>\$26,000</td> </tr> <tr> <td>2005</td> <td>\$14,000</td> <td>\$4,000</td> <td>\$28,000</td> </tr> <tr> <td>2006</td> <td>\$15,000</td> <td>\$5,000</td> <td>\$30,000</td> </tr> </tbody> </table> <p>2007-2010 Indexed to inflation in \$500 increments</p> <p>A Maximum Contribution Amount Worksheet is available on the Plan's Web site at www.vadcp.com to calculate how much you may contribute.</p> <p>If you are age 50 or over during the calendar year, you may contribute an additional amount into the Deferred Compensation Plan for all plan years except during the years you are using the Standard Catch-Up Provision. The Age 50+ Catch-Up Provision and the Standard Catch-Up Provision cannot be used in the same calendar year.</p> <p>Standard Catch-Up contributions during the three calendar years prior to the designated normal retirement age may be made up to twice the regular deferral limit.</p> <p>Coordination of contribution limits between 457(b) and 403(b) plans are no longer required. If eligible to participate in both plans, you can contribute the maximum to both.</p>	Year	Maximum	Age 50+	Std. Catch-Up	2004	\$13,000	\$3,000	\$26,000	2005	\$14,000	\$4,000	\$28,000	2006	\$15,000	\$5,000	\$30,000	<p>For employees of the Commonwealth of Virginia, the matching amount is 50% of your contribution to the Deferred Compensation Plan or \$20 per pay day, whichever is less, on a semi-monthly basis.</p> <p>Political subdivisions who participate in the Cash Match Plan may establish their own Cash Match amount.</p> <p>In addition to your employer's contribution, you may also roll money over from an eligible retirement plan such as a 401(a)/(k), 403(b), 457(b) or traditional IRA.</p>
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What are my investment option choices?	<p>You can choose from among various core investment options, and for an additional fee, you may be eligible to participate in the Self-Directed Brokerage Account option. Only publicly traded mutual funds are offered through the brokerage option.</p> <p>Each core investment option is described in detail in the investment option profile sheets. Investment option information is also available through the Web site at www.vadcp.com, and KeyTalk[®] at toll free 1-866-226-6682, which are available to you 24 hours a day, 7 days a week.²</p>																	

	Deferred Compensation Plan	Cash Match Plan
How do I make investment option changes?	Use your personal identification number (PIN) and Social Security number to access either the Web site at www.vadcp.com or KeyTalk® at toll free 1-866-226-6682 . ² You can: <ul style="list-style-type: none"> • Move all or a portion of your existing balances between investment options (subject to Plan rules) • Change how your future contributions are invested 	
How do I keep track of my account?	Great-West Retirement Services SM will mail you a combined quarterly account statement showing your account balance and activity for your Deferred Compensation and Cash Match Plans. You can also check your account balance on the Web site at www.vadcp.com and KeyTalk® at toll free 1-866-226-6682 .	
Are there fees to participate in the Plans?	Yes. An annual recordkeeping and communication services fee of 30 basis points (0.30%) capped at account balances of \$150,000 will be deducted from your account on a quarterly basis (0.075% per quarter). In addition, each investment option has investment management fees that vary by investment option. You can find your Plans' core investment option fees and performance on the Web site, KeyTalk®, the investment option profile sheets or within the <i>Investment Option Performance</i> report included with your statement. For more information on fees associated with the Self-Directed Brokerage Account option, please refer to the investment option profile sheet located on the Web site or obtained from your Great-West Retirement Services SM representative.	
When can I withdraw from my account?	<p>You may withdraw only when you:</p> <ul style="list-style-type: none"> • Retire • Terminate employment with your employer • Experience an unforeseeable emergency that is approved by the Plan Administrator • Have a low balance, inactive account (subject to IRS and Plan requirements) • Die (your beneficiary receives your benefits) <p>Withdrawals from all Plans are subject to ordinary income tax (no age requirement). You are required to begin taking required minimum distributions by April 1 of the calendar year following the later of: (1) the calendar year in which you reach 70½ or (2) the calendar year in which you retire from the employer sponsoring your Plan.</p>	<p>You may withdraw only when you:</p> <ul style="list-style-type: none"> • Retire • Terminate employment with your employer • Die (your beneficiary receives your benefits) <p>Withdrawals from all Plans are subject to ordinary income tax (no age requirement). In the Cash Match Plan, an IRS penalty for withdrawals prior to age 59½ may apply. You are required to begin taking required minimum distributions by April 1 of the calendar year following the later of: (1) the calendar year in which you reach 70½ or (2) the calendar year in which you retire from the employer sponsoring your Plan.</p> <p>If you have a rollover account you may withdraw funds from that account while you are still employed.</p>
What are my distribution options?	<ul style="list-style-type: none"> • Leave in Plan until a future date • Receive: <ul style="list-style-type: none"> • A lump sum • Periodic payments • Annuity payments • Partial lump sum with remainder paid as a periodic payment or annuity • Roll over into an eligible retirement plan such as a 401(a)/(k), 403(b), governmental 457(b) or IRA that accepts such rollovers. 	
Once I receive payments, can I change my payment amount, and, if so, how often can I change it?	Yes, two distribution requests/changes will be permitted free of charge on a calendar year basis. If you make more than two distribution requests/changes per calendar year, a fee of \$25.00 per request/change will be assessed to your account.	

¹ In the case of some college and university employees, eligibility to receive the cash match may be based on participation in a 403(b) plan. If employer contributions are currently being made on your behalf to a cash match plan offered by a 403(b) provider, you are not eligible to receive employer contributions to the Cash Match Plan administered by the Virginia Retirement System (VRS).

² Access to KeyTalk® and the Web site may be limited or unavailable during periods of peak demand, market volatility, systems upgrades/maintenance or other reasons. Transfer requests made by Web site or via KeyTalk® received prior to 4:00 p.m. Eastern Time on business days will be initiated at the close of the business day. The actual effective date of your transaction may vary depending on the investment options selected.



	Deferred Compensation Plan	Cash Match Plan
Can I use my 457 account balance to purchase service credits for the VRS Defined Benefit Plan?	Yes. In-service trustee-to-trustee transfer of assets from a governmental 457(b) plan to a governmental defined benefit plan for the purchase of permissible service credit or repayment of contributions and earnings that were previously refunded causing forfeiture of service credit under the defined benefit plan is allowed. For additional information and eligibility, please contact VRS.	Not applicable.
May I transfer or roll over my account from my former employer's plan into this Plan?	Yes. But only approved balances from other governmental 457(b) plans may be transferred into the Commonwealth's Deferred Compensation Plan. Note: Participants terminating employment or retiring may also contribute their unused vacation and sick leave payout to the Commonwealth's Deferred Compensation Plan. For additional information, please contact your Great-West Retirement Services SM representative.	Yes. Balances from an eligible retirement plan such as a 401(a)/(k), 403(b), 457(b) or traditional IRA may be rolled over into the Cash Match Plan. If you select the Partial Lump Sum Option (PLOS) for your VRS retirement, the lump sum payment may also be rolled over to your cash match account. Eligible after-tax rollovers will be accepted and pre-tax or after-tax rollovers will be allowed to be distributed to you while you are employed by the Commonwealth or a participating employer.
May I transfer or roll over my account if I leave employment with my current employer?	If you leave employment with your employer, you may roll over your account balance to an eligible retirement plan such as a 401(a)/(k), 403(b), 457(b) or traditional IRA. However, withdrawals from these plans prior to age 59½ may result in an IRS penalty. This IRS penalty for early withdrawals does not apply to monies left in a 457 plan. Note: Check with the plan that you are rolling into to ensure the plan accepts the rolled over monies.	If you leave employment with your employer, you may roll over your account balance to an eligible retirement plan such as a 401(a)/(k), 403(b), 457(b) or IRA. However, an IRS penalty for withdrawals prior to age 59½ may apply. Note: Check with the plan that you are rolling into to ensure the plan accepts the rolled over monies.

Have Questions? Need Information?

Visit the Web site: www.vadcp.com

Call KeyTalk®: Toll free at 1-866-226-6682

Visit the local Service Center:

1108 East Main Street, Suite 1102

Richmond, Virginia 23219

Hours: Monday - Friday, 8:00 a.m. to 5:00 p.m. Eastern Time

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