NAGDCA

THE VOICE OF PUBLIC PLAN SPONSORS

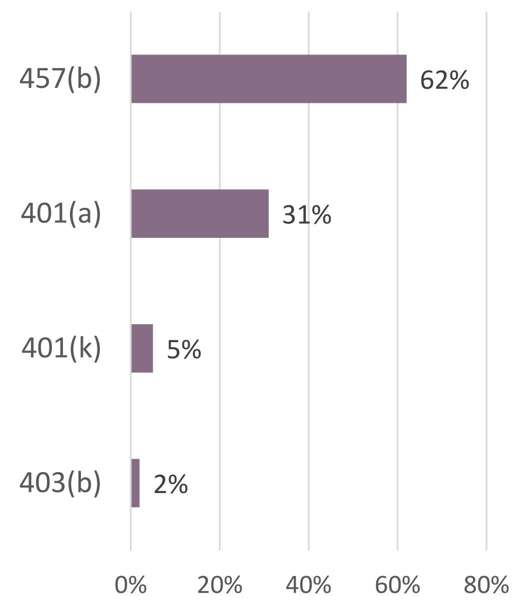
GUIDE TO GOVERNMENTAL DEFINED CONTRIBUTION PLANS

INTRODUCTION

According to the 2022 *National Association of Government Defined Contribution Administrators' (NAGDCA)/EBRI Public Retirement Research Lab (PRRL) Report,*[1] 62% of NAGDCA members report that their organization sponsors a 457(b) plan and 31% a 401(a) defined contribution plan. Add 401(k) and 403(b) plans and you have yourself an alphabet soup of plans!

This introductory guide and linked resources will help you decipher the characteristics and interplay between these various plan types and provide some practical information for effectively engaging with these plans, as a trustee, board member, plan sponsor, or administrator.

PLAN TYPES



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PUBLIC SECTOR DC PLANS BREAKDOWN

There are two main types of retirement plans: defined benefit and defined contribution, with 82% of participants in NAGDCA member plans having access to both.[2] This overview focuses on defined contribution plans, which provide benefits based on contributions to participants' accounts, and any related income, expenses, gains, or losses. It covers plans under Internal Revenue Code (IRC or Code) sections 401(a), 401(k), 403(b), and 457(b) and some of the regulations, rulings, procedures, and guidance[3] that govern such plans.

457(b) Plans

A 457(b) plan is similar to a 401(k) or 403(b) plan, but with one major distinction: a 457(b) plan is a non-qualified retirement plan,[4] allowing separate contribution limits compared to 401(k) and 403(b) plans. In 2025, a participant may contribute $23,500 to a 457(b) plan **in addition to** contributions to other plans. Contributions are typically pre-tax, reducing current income tax. Unlike 401(k) or 403(b) plans, participants can withdraw funds before age 59 ½ without a 10% penalty, benefiting those planning early retirement.

401(a) Plans

State or local governments can establish 401(a) plans, which are tax-qualified under IRC Section 401(a). Often referred to as "governmental plans," these are generally not bound by the Employee Retirement Income Security Act (ERISA) but may follow its standards as best practices. Compliance also involves state and local laws, adding to each plan's uniqueness.[5]

NOTE: 401(a) plans may be structured as either a defined benefit or a defined contribution plan. It is possible that your retirement system offers both a 401(a) defined benefit plan and a 401(a) defined contribution plan to its participants.

401(k) Plans

Only 5% of NAGDCA member organizations offer a 401(k) plan[6], as new plans have been prohibited for state and local governments since 1986. Existing plans operate under special, grandfathered rules and are exempt from certain ERISA and IRC rules, such as the actual deferral percentage (ADP) test and top-heavy rules. However, other requirements, like IRC Section 415(c) contribution limits, apply, especially when paired with a 401(a) plan.

NOTE: Compliance requirements for private sector and public sector plans often overlap. If a plan sponsor offers both a 401(a) defined contribution plan and a grandfathered 401(k) plan, then the IRC 415(c) limit[7] is applied to the aggregate contributions made to both plans. However, the 415(c) limit is separate from the limits applicable to a 457(b) plan.

403(b) Plans

Originally for universities and public schools, 403(b) plans have evolved to resemble other defined contribution plans, with a few exceptions. For example, while other plans may offer any investment types, such as Exchange Traded Funds (ETFs) or Collective Investment Trusts (CITs), pursuant to the plan's investment policy statement, 403(b) plans may only offer mutual funds and tax-sheltered annuities. Additionally, a participant is typically immediately vested in a 403(b) plan, while other qualified plans may have vesting periods or schedules. This is because employer contributions are not typically provided under 403(b) plan making employee contributions the primary source of assets.

PUBLIC SECTOR DC PLANS BREAKDOWN

Key Plan Features at a Glance

	457(b)	401(a) DC	401(k) (Grandfathered)	403(b)
Eligibility	State/local governments	State/local governments, political subdivisions	State/local governments (if established before 1986)	Public schools, universities, and certain non-profits
Employee Contributions	Allowed (salary reduction contributions)	Allowed (salary reduction contributions)	Not allowed	Allowed (salary reduction contributions)
Employer Contributions	Allowed	Allowed	Allowed	Allowed
Contribution Limits (2025)	$23,500 for employee deferrals; separate from 401(k) and 403(b) limits	Lesser of $70,000 or 100% of compensation	$23,500 for employee deferrals; combined with 401(a) for total contribution limit	$23,500 for employee deferrals; separate from 457(b) limits
Catch-Up Contributions	Yes, age 50+ catch-up ($7,500 in 2025) and special catch-up provision	No	Yes, age 50+ catch-up ($7,500 in 2025)	Yes, age 50+ catch-up ($7,500 in 2025)
Roth Contributions	Allowed	Not allowed	Allowed	Allowed
Early Withdrawal Penalties	No penalty before age 59 ½	10% penalty before age 59 ½	10% penalty before age 59 ½	10% penalty before age 59 ½
Loans	Allowed	Allowed	Allowed	Allowed
Hardship Distributions	Only for unforeseeable emergencies	Subject to plan terms	Allowed	Allowed
Required Minimum Distributions	Yes, under IRC Section 401(a)(9)	Yes, under IRC Sec-tion 401(a)(9)	Yes, under IRC Sec-tion 401(a)(9)	Yes, under IRC Sec-tion 401(a)(9)
Investment Options	Flexible, varies by plan	Flexible, varies by plan	Flexible, varies by plan	Limited to mutual funds and annuities

NOTE: Annually, the IRS adjusts the limits on employee contributions and employer contributions for retirement plans, typically referred to as contribution coordination rules. These rules apply to 401(a), 401(k), 403(b), and 457(b) plans. Separate, but similar rules apply to the amounts that a participant may borrow from such defined compensation plans. Visit **IRS.gov** for current information about the various limits and coordination requirements.

PUBLIC SECTOR DC PLANS BREAKDOWN

Universe Overview from the Public Retirement Research Lab (PRRL)

The Public Retirement Research Lab (PRRL) Database is a comprehensive repository of plan- and participant-level data, contributed by recordkeepers on behalf of plan sponsors. Updated annually, the database currently holds year-end 2021 data for 226 defined contribution plans, including 457(b), 401(a), 403(b), and 401(k) plans. This data represents nearly three million employees from state, county, city, and subdivision governments, encompassing $165 billion in assets.

2.9 MILLION
INDIVIDUAL PLAN PARTICIPANTS

226
TOTAL PUBLIC SECTOR DC PLANS

$165 BILLION
TOTAL ASSETS

Public-sector employees often face a complex retirement landscape, with some participating in defined benefit pension plans, others in “hybrid” 401(a) plans, and many in supplemental defined contribution (DC) plans like the 457(b). The PRRL was created to bring clarity to this fragmented environment by providing reliable, data-driven insights into public-sector DC retirement plans and their participants.

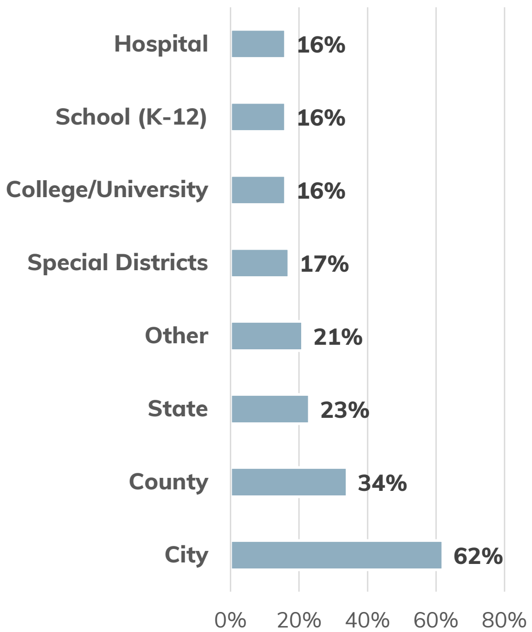
PARTICIPATE IN THE PRRL

Participation in the PRRL Database is voluntary, offering public retirement plan sponsors valuable benchmarking insights at no cost.

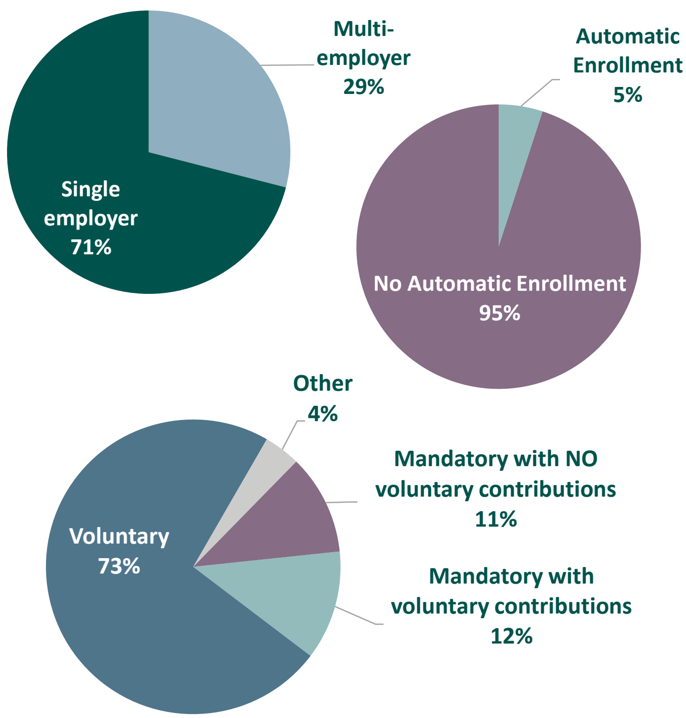
To learn more about how to participate, please **click here**.

ENTITIES

Many plans cover multiple entities.



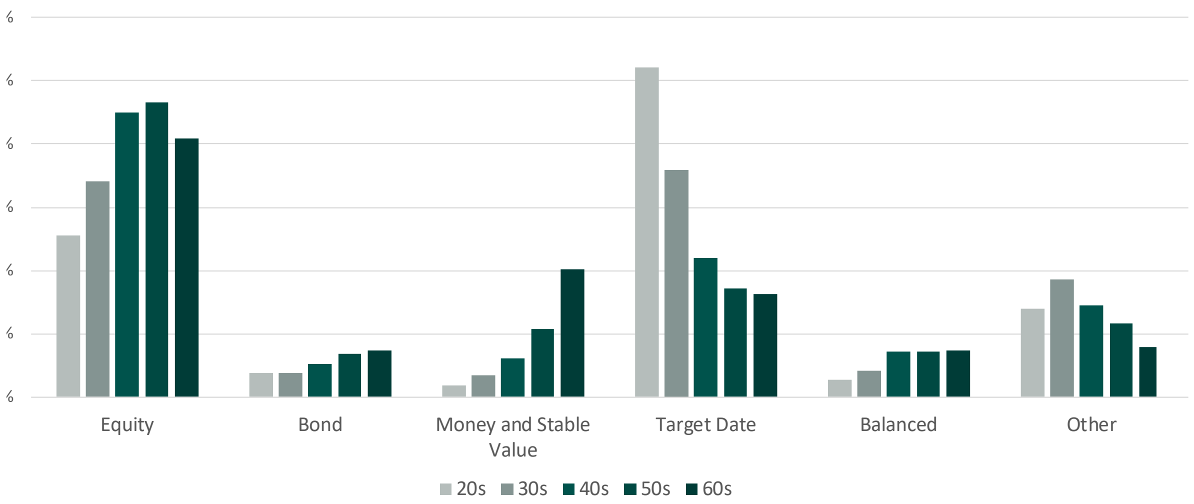
PLAN CHARACTERISTICS



PUBLIC SECTOR DC PLANS BREAKDOWN

Universe Overview from the Public Retirement Research Lab (PRRL)

ASSET ALLOCATION BY AGE GROUP



ACCOUNT BALANCE AND ANNUAL CONTRIBUTIONS BY AGE GROUP

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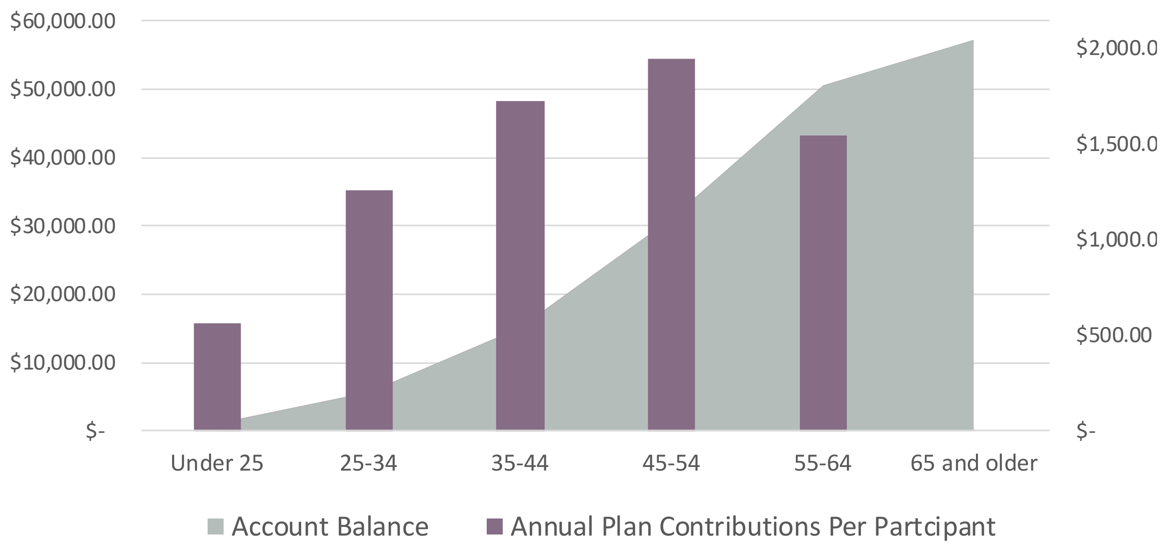

NOTE: It is important for trustees, board members and plan administrators to understand that some Internal Revenue Code rules and regulations are required, and some are permissive or optional. Optional provisions or features, such as automatic enrollment, are typically adopted through the written plan before operational implementation. Some required plan provisions may be operationally implemented and later adopted through a written plan amendment.

The IRS publishes a **Required Amendments List,** which establishes the date by which plan amendments must be made for required rule and regulation changes. In general, items on the Required Amendment List must be adopted through the written plan by the end of the second calendar year following the year the list is published by the IRS.

Concluding Remarks

Defined contribution plans, whether structured under IRC Section 401(a), 401(k), 403(b) or 457(b), provide benefits to participants based on employee, and possibly employer, contributions to the participant's account, along with related income, expenses, and gains or losses. The overview detailed some of the similarities (e.g., written plan document), differences (e.g., eligible investment options) and interplay (e.g., contribution coordination rules) between these various plans. While you may not be a defined contribution plan expert, educating oneself is a prudent step towards understanding your fiduciary responsibilities as a plan trustee, board member, plan sponsor or administrator.

As always, NAGDCA urges plan fiduciaries to consult with their own legal, financial and tax advisors about the issues addressed herein and the situations and circumstances unique to their retirement plans.

Endnotes

1 2022 NAGDCA/EBRI Public Retirement Research Lab (PRRL) Report
2 2022 NAGDCA/EBRI Public Retirement Research Lab (PRRL) Report, pg. 14.
3 For additional information on Internal Revenue tax administration, read Understanding IRS Guidance – A Brief Primer.
4 https://www.irs.gov/retirement-plans/comparison-of-governmental-457b-plans-and-401k-plans-features-and-corrections
5 For additional information on the specific code sections that apply to 401(a) Plans, read Governmental Plans Are Different: A Regulatory Overview by Daniel Schwallie, Ph.D.
6 2022 NAGDCA/EBRI Public Retirement Research Lab (PRRL) Report
7 https://uscode.house.gov/view.xhtml?req=granuleid:USC-prelim-title26-section415&num=0&edition=prelim

NAGDCA RESOURCES

NAGDCA members have access to tools and resources to help administer, manage, and enhance your plans, ensuring top-tier retirement security for participants. Use the links below to access them.

Resource Library - A comprehensive hub for all NAGDCA publications, conference materials, webinar recordings, and more.

TIP: Bookmark the resource pages or the full Resource Library for quick access in the future.

Data Center - Access valuable information and data through the Public Retirement Research Lab (PRRL) and the online benchmarking portal.

Award Winners - Discover innovative ideas and solutions from across the industry by exploring NAGDCA's annual award-winning nominations.

Featured Resources

Auto Enrollment Guide - Is your plan considering pursuing auto enrollment legislation in your state? This guide includes an overview for plan sponsors, FAQs, a customizable handout, and model legislation to aid state advocacy efforts.

Fees Guide - This guide helps plan sponsors understand different fee types and structures in government defined contribution plans. It's a handy reference for negotiating fees throughout their careers.

SECURE 2.0 Implementation Resources - SECURE 2.0 impacts nearly all aspects of plan administration. Use the sortable table and fact sheets to learn about key provisions and NAGDCA's advocacy efforts.

Public Retirement Research Lab (PRRL) Research - Offers analysis of plan- and participant-level data collected annually. Releases include a "State of Public Sector Defined Contribution Plans" report and focused data studies.

Video Archive - Access NAGDCA's YouTube channel for a library of past webinars and conference sessions. The archive offers valuable insights into a wide range of topics, from industry best practices to legislative updates, making it an essential resource for continuous learning.

Connect with Members

NAGDCA membership provides valuable opportunities to network and learn from peers.

Peer-to-Peer Exchanges – Informal, virtual discussions for government members.

Annual Conference – Connect with plan sponsors and industry experts at our signature event.

Member Forums – Ask questions, post job openings, and share RFPs in the members-only forums.

Member Directories – Access contact details and plan information for fellow members.

FREQUENTLY ASKED QUESTIONS (FAQS)

What is the difference between a defined contribution plan and a defined benefit plan?

A defined contribution plan provides a benefit to a participant based on contributions to the participant's account, adjusted for investment gains or losses and administrative expenses. A defined benefit plan provides benefits using a formula based on a participant's age, years of service and level of compensations. For both defined contribution plans and defined benefit plans, the determination of whether an individual is qualified or eligible to participate is generally based on when the employee is hired, for how long they are employed, and the services they perform.

Source: *Chapter 6, IRS Publication 963: https://www.irs.gov/pub/irs-pdf/p963.pdf*

What is the difference between a Qualified and a Nonqualified Defined Contribution Plan?

Tax treatment, of both employer contributions and employee contributions, is the primary difference between a qualified (such as a 401(a)) and nonqualified (such as a 457(b)) defined contribution plan. Sometimes the term qualified plan is used in the context of the Employee's Retirement Income Security Act of 1974 ("ERISA"). Generally, plans sponsored by a state or local government are not subject to, or required to abide by, ERISA provisions. It is important to note that qualified plans and nonqualified plans are both subject to IRS eligibility requirements and must satisfy the Internal Revenue Code in both form and operation.

Sources:

- *https://www.irs.gov/retirement-plans/a-guide-to-common-qualified-plan-requirements*
- *https://www.irs.gov/government-entities/federal-state-local-governments/government-retirement-plans-toolkit*

What is the difference between a plan sponsor and a plan administrator?

The plan sponsor is generally the employer, which can be the state, local government, political subdivision, or its agency or instrumentality, that has established and maintains a defined contribution plan on behalf of its employees.

Generally, a plan administrator is an entity responsible for managing the day-to-day operations of a defined contribution plan on behalf of the participants and beneficiaries.

The plan sponsor and plan administrator may be the same entity. Multiemployer plans (i.e., collectively bargained plans maintained by more than one employer) may establish a board of trustees which serves as the plan administrator.

Source: *https://www.irs.gov/retirement-plans/plan-sponsor/a-plan-sponsors-responsibilities*

FREQUENTLY ASKED QUESTIONS (FAQS)

What is the difference between the trustee and the plan administrator?	As noted in the prior question, a plan administrator is an entity responsible for managing the day-to-day operations of the defined contribution plan on behalf of the participants and beneficiaries. A trustee of a qualified retirement plan is the entity or group of individuals who hold the assets of the plan in trust. Both a trustee and plan administrator have fiduciary obligations to the plan participants and beneficiaries. *Source: https://www.irs.gov/retirement-plans/retirement-plan-fiduciary-responsibilities*
What is the difference between a recordkeeper and a third-party administrator?	Sometimes the plan sponsor or plan administrator will hire or outsource the day-to-day operations of the defined contribution plan to a recordkeeper, third-party administrator (TPA) or both. TPAs often handle amendments to the plan documents, assisting with loans and vesting schedules, testing for IRS requirements, and preparing annual reports. Recordkeepers track participants' transactions, provide statements and confirmations, and reconcile transaction activities related to contributions, distributions, and investment transactions. The TPA and recordkeeper may be the same entity.
What is the difference between a bundled and unbundled arrangement?	A bundled arrangement typically means the recordkeeper is providing all the administration, investment, communications, and education for a plan sponsor. In other words, the recordkeeper and the third-party administrator are the same organization, for operational purposes. In an unbundled arrangement, the plan sponsor has selected multiple parties to provide different services to the plan. The plan sponsor may use a firm for recordkeeping, a third-party administrator, and another firm to provide financial and retirement education.
Who is ultimately responsible for the plan?	The plan sponsor. Whether or not the plan sponsor decides to delegate some or all of the operational and administrative tasks to internal staff and/or external third-parties or vendors, the plan sponsor has ultimate responsibility for the plan as outlined within the written plan document. *Source: https://www.irs.gov/retirement-plans/plan-sponsor/a-plan-sponsors-responsibilities*

FREQUENTLY ASKED QUESTIONS (FAQS)

Can the plan sponsor delegate and/or eliminate fiduciary responsibility?	A plan sponsor may delegate some or all of the operational and administrative tasks to internal staff and/or external third-parties or vendors, in accordance with the plan document; however, the plan sponsor is the ultimate fiduciary of the plan. The plan sponsor has an obligation, always, to prudently operate the plan and oversee delegated responsibilities with a duty of care and trust. *Source: https://www.irs.gov/retirement-plans/retirement-plan-fiduciary-responsibilities*
Are there any restrictions to investing plan assets?	Yes. While there is no list of approved investment options for retirement plans, there are special rules, restrictions and considerations that apply to retirement plan investments. For example, 403(b) plans are limited to mutual funds and annuities. Many plan sponsors rely on an investment consultant or advisor in establishing the plan's investment policy statement and a menu or line-up of investment options available to participants in the plan. *Source: https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-investing-plan-assets*

GLOSSARY OF COMMONLY USED TERMS

Account	An account that is established for an individual for the purpose of saving for retirement.
Administrator	The person who is identified in the plan document as having responsibility for running the plan. It could be the employer, a committee of employees, a company executive or someone hired for that purpose.
Adoption Agreement	The separate agreement which is executed by the Employer and sets forth the elective provisions of the Plan. The Adoption Agreement is considered a part of the Plan Document.
After-Tax (Employee) Contribution	Contributions made to a qualified retirement or investment account using money that has already been subject to eligible income tax.
Alternate Payee	A spouse, former spouse, child or other dependent of a Participant who is recognized by a domestic relations order as having a right to receive all or a portion of a Participant's Benefit under the Plan.
Anniversary Date	An annually recurring date upon which a specific event took place.
Annuity or Annuity Contract	An annuity is an insurance contract sold by insurance companies. For more information, please **click here**.
Automatic Enrollment	The practice of enrolling all eligible employees in a plan and beginning participant deferrals without requiring the employees to submit a request to participate. Plan design specifies how these automatic deferrals will be invested. Employees who do not want to make deferrals to the plan must actively file a request to be excluded from the plan. Participants can generally change the amount of pay that is deferred and how it is invested. For more information, please **click here**.
Automatic Escalation	A plan which automatically increases the percentage of retirement funds saved from salary. This type of plan generally features a default or standard contribution escalation rate, with a cap typically set on the maximum contribution rate to prevent further automatic increases beyond a certain percentage.

GLOSSARY OF COMMONLY USED TERMS

Beneficiary	A beneficiary can be any person or entity the owner chooses to receive the benefits of a retirement account or an IRA after he or she dies.
Blackout Period	The amount of time during which participants and beneficiaries under the plan are restricted from performing transactions that would otherwise be available. These transactions include directing investments, diversify assets credited to their accounts, obtaining loans from the plan, or obtaining distributions from the plan.
Bundled Provider	An arrangement where a plan sponsor contracts with a single provider to provide most or all of the major service categories: recordkeeping, administration, communications and investment management.
Catch-Up (Employee) Contribution	A provision found in retirement plans that allows an eligible employee who is at least age 50 to make higher annual contributions in the years prior to retirement.
Code (or Internal Revenue Code)	The Internal Revenue Code of 1986, as amended and includes applicable IRS Guidance.
Collective Investment Trust (CIT)	A fund that is operated by a trust company or bank and handles a pooled group of trust accounts in order to create a larger, well-diversified portfolio. They are not allowed to be sold to retail investors, only institutional investors such as qualified retirement plans. Because they do not allow retail investors, these funds are exempt from some regulatory requirements (e.g., no prospectus, ticker symbol or detailed holdings report). Therefore, they are relatively lower cost compared to mutual funds.
Consultant	A third party that helps the plan sponsor with key plan functions such as fiduciary responsibilities, mitigating risk, and providing an appropriate plan based on employer and employee needs.
Contribution	See *Employee Contribution and Employer Contribution*
Custodian	A person or entity generally responsible for the safekeeping of plan assets; complying with applicable rulings, regulations, and legislation; and acting in accordance with the provisions of custodial agreements.

GLOSSARY OF COMMONLY USED TERMS

Defined Benefit Plan	Defined benefit plans are qualified employer-sponsored retirement plans that guarantee individuals a specified monthly benefit at retirement that are typically determined based on the employee's salary, years of service and age.
Defined Contribution Plan	Defined contribution plans are tax-qualified employer-sponsored retirement plans under the provisions of the internal revenue code in which the employee and/or the employer make contributions to the employee's account under the plan. The contributions are often a set dollar amount or percentage of salary.
Defined Contribution Investment-Only (DCIO)	Defined Contribution plans where an asset manager serves only in an investment capacity and is not involved in recordkeeping.
Early Retirement Age	The Social Security Administration defines early retirement as age 62; however, some plan documents may define early retirement age differently.
Eligibility	A participant's eligibility to retire is determined by several factors including age, service date, appointment, and the number of years worked/served for the employer.
Employer Contributions	Employer Contribution means ***Nonelective Contributions*** and ***Matching Contributions***, as applicable.
Employee Contributions	The portion of an employee's salary that they contribute to a retirement plan. See also ***After-Tax Contribution***, ***Catch-up Contribution***, and ***Special Catch-up Contribution.***
ERISA	Employee Retirement Income Security Act of 1974, as amended, a federal law that establishes minimum standards for pension plans in private industry and provides for extensive rules on the federal income tax effects of transactions associated with employee benefit plans. For additional information, please **click here**.

GLOSSARY OF COMMONLY USED TERMS

Exchange Traded Funds (ETFs)	An ETF is an asset that tracks a particular set of equities, similar to an index. It trades just as a normal stock would on an exchange, but unlike a mutual fund, prices adjust throughout the day rather than at market close.
Fee Equalization	Plan expenses are distributed equally among plan participants.
Fiduciary	As defined in ERISA for covered plans and State Trust Law for governmental entities, a person or group of persons or entity that is legally appointed and authorized to hold assets in trust on behalf of retirement plan participants. A fiduciary typically is determined by whether or not they are responsible for exercising discretion or control over the plan. Responsibilities of a fiduciary include acting solely in the interest of plan participants, carrying out their duties prudently, following the plan documents and relevant law, monitoring service providers and investments, and paying only reasonable and customary plan expense.
Fiduciary Liability Insurance	Also known as management liability insurance, is intended to protect businesses and employers against claims resulting from a breach in fiduciary duty. Essentially, the policy protects parties against liability for managing or administering employee benefits plans.
Forfeiture	The portion of a Participant's Employer Contributions Account that is not Vested and in which the Participant no longer has an interest.
Hardship	A situation in which a person cannot keep up with debt payments and bills. This particular term is also used in decision-making processes about whether to offer someone relief from certain types of payment obligations.
In-Plan Roth Conversion	Converting qualified pre-tax savings into a Roth account in the plan.
Internal Revenue Code	See *Code*.
Investment Policy Statement (IPS)	A document that defines the process used by a committee when making investment decisions for the plan.

GLOSSARY OF COMMONLY USED TERMS

Loans	A qualified plan may, but is not required to, provide for loans. If a plan provides for loans, the plan may limit the amount that can be taken as a loan. The maximum amount that the plan can permit as a loan is (1) the greater of $10,000 or 50% of the participant's vested account balance, or (2) $50,000, whichever is less.
Managed Accounts	An investment account that is owned by an individual and looked after by a hired professional money manager. In contrast to mutual funds, managed accounts are personalized investment portfolios tailored to the specific needs of the account holder.
Matching Contribution	The employer contributes a certain amount to a participant's retirement account based on the amount the employee contribution (for example, 50 cents are contributed by the employer for each dollar deferred by the employee).
Mortality and Expense (M&E) Fee	The M&E charge reflects the mortality risk undertaken by the insurer and other risks that the insurer may assume, including investment risks related to the guarantee of minimum annuitization rates and the guarantee of a set level of administrative charges over the lifetime of the contract.
Mutual Fund	A '40 Act fund is a pooled investment vehicle offered by a registered investment company as defined in the 1940 Investment Companies Act (commonly referred to in the United States as the '40 Act or, in some instances, the Investment Company Act (ICA).
Non-Qualified Retirement Plan	Retirement plans that are deferred compensation arrangements that typically are not subject to ERISA. Nonqualified plans include 457 plans and other deferred compensation arrangements.
Nonelective Contribution	The employer contributions a discretionary amount, other than Matching Contributions, to participants accounts.
Normal Retirement Age	The normal retirement age (NRA) is the age at which retirement benefits commence. For purposes of Social Security, NRA, also referred to as "Full Retirement Age," varies from age 65 to age 67 by year of birth.
Open Architecture	Typically refers to the ability to select non-proprietary investment options from the recordkeeper.

GLOSSARY OF COMMONLY USED TERMS

Plan Document	The plan document describes the plan's terms and conditions related to the operation and administration of the plan.
Plan Sponsor	A plan sponsor is the employer or entity that establishes a retirement plan for employees.
Qualified Distribution	The term qualified distribution refers to a withdrawal from a qualified retirement plan. These distributions are both tax and penalty free. Qualified distributions cannot be used at an investor's discretion as they come with certain conditions and restrictions set by the IRS.
Qualified Domestic Relations Order (QDRO)	A qualified domestic relations order is a judicial order in the United States entered as part of a property division in a divorce or legal separation that splits a retirement plan or pension plan between spouses.
Qualified Retirement Plan	Retirement plans that meet the Internal Revenue Code requirements under Section 401 or 403(b). These plans offer several tax benefits: they allow employers to deduct annual allowable contributions for each participant; contributions and earnings on those contributions are tax-deferred until withdrawn for each participant; and some of the taxes can be deferred even further through a transfer into a different type of IRA.
Recordkeeper	A person or entity that keeps track of participant accounts, including contributions, withdrawals, balances, transactions (e.g. fund transfers), and other activities. Most agencies will contract with an outside vendor to provide recordkeeping services. Some large government plans perform them in-house.
Rollover	A rollover is when a participant moves funds from one eligible retirement plan to another.
Self-Directed Brokerage Account (SDBA/SDBO)	An option found in some qualified retirement plans such as a 401(k) that allow the participant to invest in a wider selection of investments than is provided within the plan.

GLOSSARY OF COMMONLY USED TERMS

Separate of Service	Participants are eligible to withdraw funds from their 457(b) plan when separating from service (for any reason). After separation from service, a participant may leave their account in their former employer's plan, roll-over their account into a traditional IRA or an existing qualified retirement plan.
Special Catch-Up (Employee) Contribution	Special 457(b) catch-up contributions, if permitted by the plan, allow a participant for 3 years prior to the normal retirement age (as specified in the plan) to contribute the lesser of twice the annual limit or the basic annual limit plus the amount of the basic limit not used in prior years (only allowed if not using age 50 or over catch-up contribution).
Spousal Consent	The written consent provided by the spouse of a retirement account owner, for the retirement account owner to take certain actions with his/her retirement account.
Target Date Funds	A mutual fund in the hybrid category that automatically resets the asset mix of stocks, bonds and cash equivalents in its portfolio according to a selected time frame that is appropriate for a particular investor.
Third Party Administrator (TPA)	Partnered entities that process and manage the administrative and compliance aspects of plans as required under the Internal Revenue Code and/or ERISA.
Trustee	The entity or group of individuals who hold the assets of the plan in trust. Trustees are either designated in the plan document or appointed by another fiduciary, typically the employer who sponsors the plan.
Unbundled Provider	The unbundled provider is where the plan sponsor may choose a variety of providers to provide one or more services i. e. investment, recordkeeping, administration and education.
Vesting Period or Vested	When a participant becomes entitled to employer contributions, including matching and discretionary contributions, after a certain period of service with the employer. Generally, if a participant separates services before becoming fully vested, the participant forfeits all or part of the benefits.

GLOSSARY OF COMMONLY USED TERMS

Withdrawal	See *Distribution.*
Years of Service	The total number of full years in which a Participant has been employed by one or more Employers.