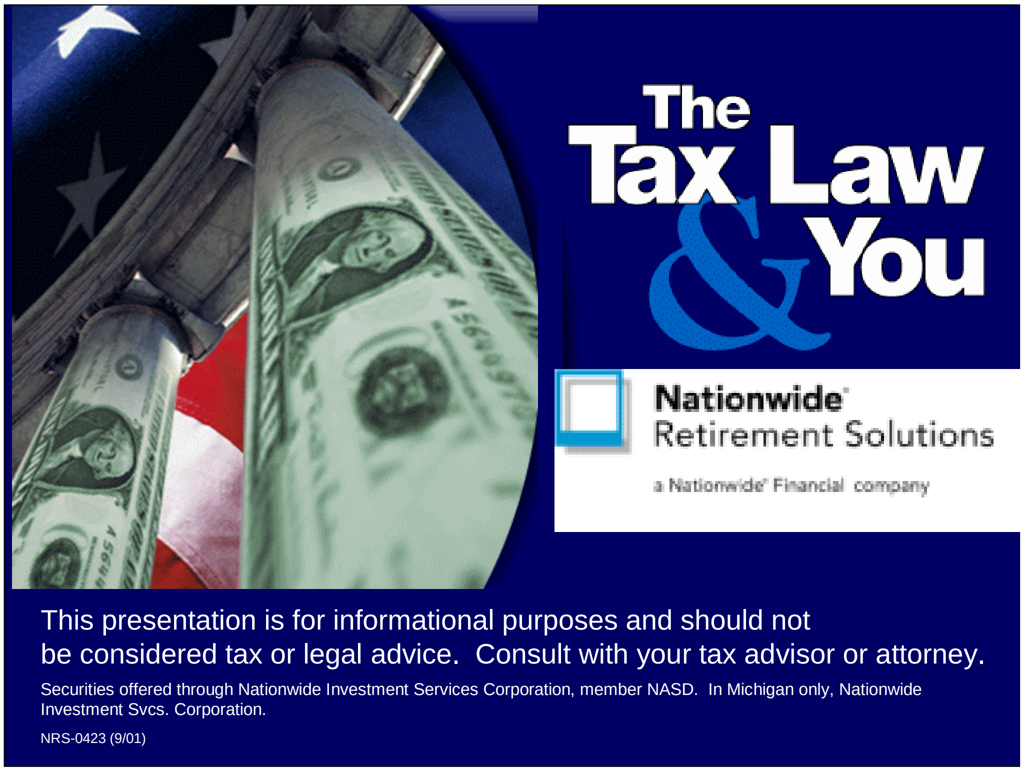
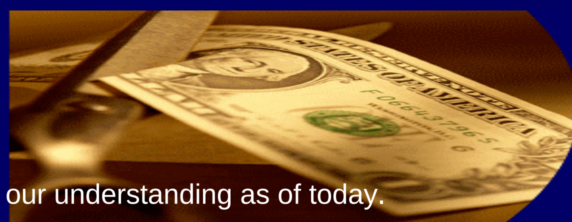


Welcome. We are happy to be here today to talk with you about the recently enacted Economic Growth and Tax Relief Reconciliation Act of 2001 and how this new law affects your plan. This presentation is intended to give you an overview of the new tax law.

AGENDA

- Tax Reform Review
- Mandatory vs. Optional Provisions
- Plans



This presentation reflects our understanding as of today.

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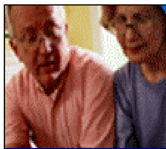

General Information

Tax Relief 2001

- Signed into law June 7, 2001
- Phased effective dates: 2001-2010.
  - Many effective 2002.
- Sunset Provision 2010 - unless extended by new legislative action.

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Changes

Major changes impacting 457:

Contribution Amounts

—Deferrals

—Catch-Ups

—Low Income Credit

—Constructive Receipt

—Portability

—QDROs

—Service Credit Purchase

Read from slide.

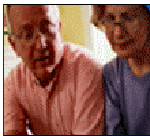
Deferral Limits

Contributions to 457 and Other Plans

2001 limits:

- **457 plans = $8,500**
- 401(k) plan limit = $10,500
- 403(b) plan limit = $10,500
- Simplified Employee Pensions = $10,500
- SIMPLE plans = $6,500

The law limits the pretax amount you can contribute to certain retirement plans. For 2001, the annual dollar limit for salary deferral contributions to 457 deferred compensation plans is $8,500; the 401(k) salary deferral plans, 403(b) tax-sheltered annuity plans, and salary reduction Simplified Employee Pensions (SAR-SEPs) limit is $10,500; and for SIMPLE retirement plans, the limit is $6,500.



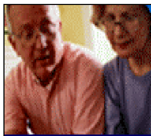
Deferral Limits

All dollar limits increase

Year	457, 401(k) & 403(b) Plans SAR-SEPs	SIMPLE Plans
2002	**$11,000**	$7,000
2003	$12,000	$8,000
2004	$13,000	$9,000
2005	$14,000	$10,000
2006	$15,000	$10,000

Amounts adjusted for inflation after 2006

As you can see from the chart, the new law gradually raises the dollar limits on contributions for all plans between 2002 and 2006. Contribution limits for 457, 401(k) and 403(b) plans and SAR-SEPs will increase to $15,000 and the limit for SIMPLE plans increases to $10,000. All limits will be adjusted for inflation after they're fully phased in.



Deferral Limits

Repeal of Coordination of Deferrals Between 457 and Other Elective Deferral Plans

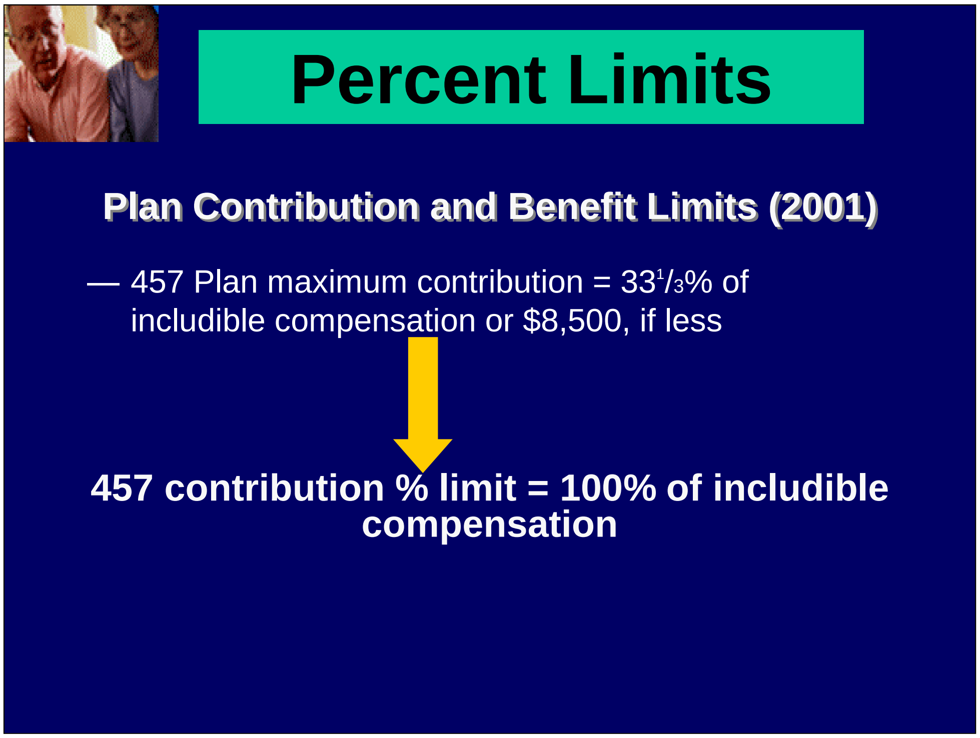
Today: 457 plan dollar limits are coordinated with 403(b) and 401(k) plans, thereby limiting your contribution amounts between the plans.

1-1-2002: 457 plan dollar limits will no longer be coordinated with 403(b) and/or 401(k) plans

Example: If you are deferring the maximum amount annually ($8,500.00 in 2001) into a 457 plan and also have a 401(k) plan, you would not be able to add any additional dollars to your 401(k) plan due to the coordination of deferrals.

In 2002, you would be able to contribute $11,000 to 457 plans **and** $11,000 to 401(k) plans.

Coordination is still required between 403(b) and 401(k) plans.

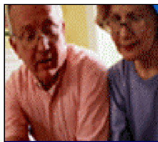


We talked earlier about the dollar limit changes for elective deferrals to different types of plans. But there are other limits that apply, as well.

The new law increases these limits. Starting with 2002 plan years, the annual addition limit to your defined contribution plans increases to the lesser of 100% of includible compensation or $11,000.

Includible compensation is compensation for service performed for the employer which is currently includible in gross income. Includible compensation is the amount remaining after all tax deferrals. These exclusions include contributions to 457, 401(k), 403(b), SEP, SIMPLE and cafeteria plans, as well as any other tax-deferred arrangements. In most situations, gross income means the gross taxable income (or compensation) that would have been received but for the agreement to reduce salary.

The impact of these changes will be that more money may be contributed to retirement plans on behalf of higher paid individuals than in the past.



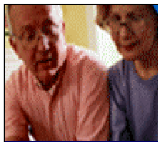
Catch-Ups

457 Catch-up contributions within 3 years of Normal Retirement Age (Currently $15,000 annually)

Year	Catch-Up Amount
2002	$22,000
2003	$24,000
2004	$26,000
2005	$28,000
2006	$30,000

Amounts adjusted for inflation after 2006

Participants within three years of Normal Retirement Age would still be eligible to use the existing catch-up provision. The catch-up amount has been increased to two times the annual contribution amount. For example, in 2002 the amount would be $22,000 -- twice the new contribution limit. This amount is still limited by available under-deferrals from previous years.



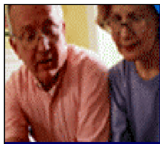
Bonus Deferrals

Catch-up contributions for age > 50

Year	457, 401(k) & 403(b) Plans & SEPs	SIMPLE Plans
2002	**$1,000**	$500
2003	$2,000	$1,000
2004	$3,000	$1,500
2005	$4,000	$2,000
2006	$5,000	$2,500

Amounts adjusted for inflation after 2006

If you are age 50 or older and already make the maximum allowable pretax contribution to your plan, the new law permits you to make an additional catch-up contribution. This means you can contribute additional amounts towards your retirement goals! The maximum catch-up contribution is the lesser of (1) the dollar amount shown in the table on the screen, or (2) your compensation less any other elective deferrals for the year.



Catch-Ups

Working Together

- The > 50 bonus catch-up provision does not apply during the participant's last 3 years before normal retirement age
  - in that timeframe, use the 457 catch-up
  - if no under deferrals, use bonus

The new catch-up provision extends the time in which a participant can make increased deferrals.

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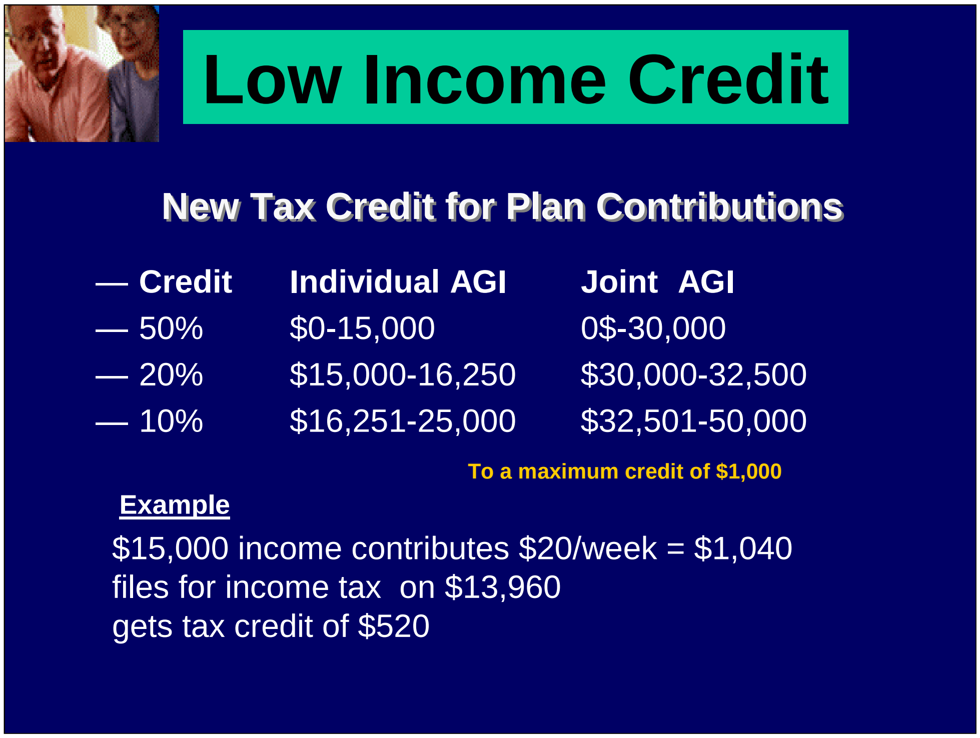
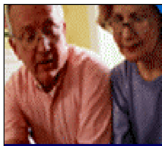


Under the new law, some individuals will be able to claim a tax credit for a portion of their retirement plan contributions. Generally, if you're a single taxpayer with an Adjusted Gross Income (AGI) of $25,000 or less, a joint filer with AGI of $50,000 or less, or a head of household with AGI of $37,500 or less, you may be eligible to claim a tax credit of up to $1,000. The maximum annual contribution eligible for the credit is $2,000, and the maximum credit rate is 50%. The credit is lower the higher your income.

The credit is <u>in addition to</u> any deduction or exclusion allowed for your contributions and will be available for contributions made in tax years 2002 through 2006. The credit may be claimed for elective contributions to 401(k), 403(b), 457, or SIMPLE plans, and SAR-SEPs, contributions to traditional or Roth IRAs, or voluntary after-tax contributions to a tax-qualified retirement plan.

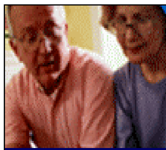


Constructive Receipt

Modifies 457 Constructive Receipt

- — Benefits will be subject to income taxation when they are received
- — Eliminates need to make payout date decision at separation from service

Today, 457 participants may be taxed when their deferred compensation funds are made available (i.e. upon termination or retirement). In order to avoid potential taxation of these available funds, the participant is required to select a future date as to when they would like to begin distribution from their deferred compensation account. After 12/31/2001, 457 participants will be taxed like qualified plans. Participants can make decisions as to when to receive payments any time after termination of employment or retirement, up to April 1st of the year following attainment of age 70 1/2. The deferred compensation funds will be taxed when a participant has taken receipt of their distribution, not when it is made available.



Required Minimum Distribution

Required Minimum Distributions

— 457 will now follow qualified plan rules.
— No other rules will apply for RMDs.

For 457 plans, this eliminates:

• The substantially non-increasing amount restriction on payment amounts has been removed. This will allow participants to establish a distribution schedule that provides payments in either increasing or decreasing amounts .

• Payment of deceased participant benefit over 15 years to non-spousal beneficiary if participant dies before taking any payments.

• Any amount distributed during the participant's lifetime will be distributed at least as quickly after death.

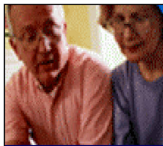
Domestic Relations Orders

457 Qualified Domestic Relation Orders (QDROs)

— Distributions to alternate payees from section 457 plans would be taxed like distributions from qualified plans under QDROs. This means the individual receiving the funds will be taxed, not the plan participant.

In today's 457 environment, the plan participant is responsible for taxes distributed from his/her account in all domestic relation circumstances.

After 12/31/2001, distributions made from 457 plans will now be taxable to the individual who is receiving the distribution, not the participant. This falls in line with the way qualified plans handle taxation of QDROs today.



Purchase Service Credits

Use 457 Amounts for Defined Benefit (DB) Service Credits

— Purchase Service Credits in DB plans with 457 assets without taxation

— Must be authorized by DB plan

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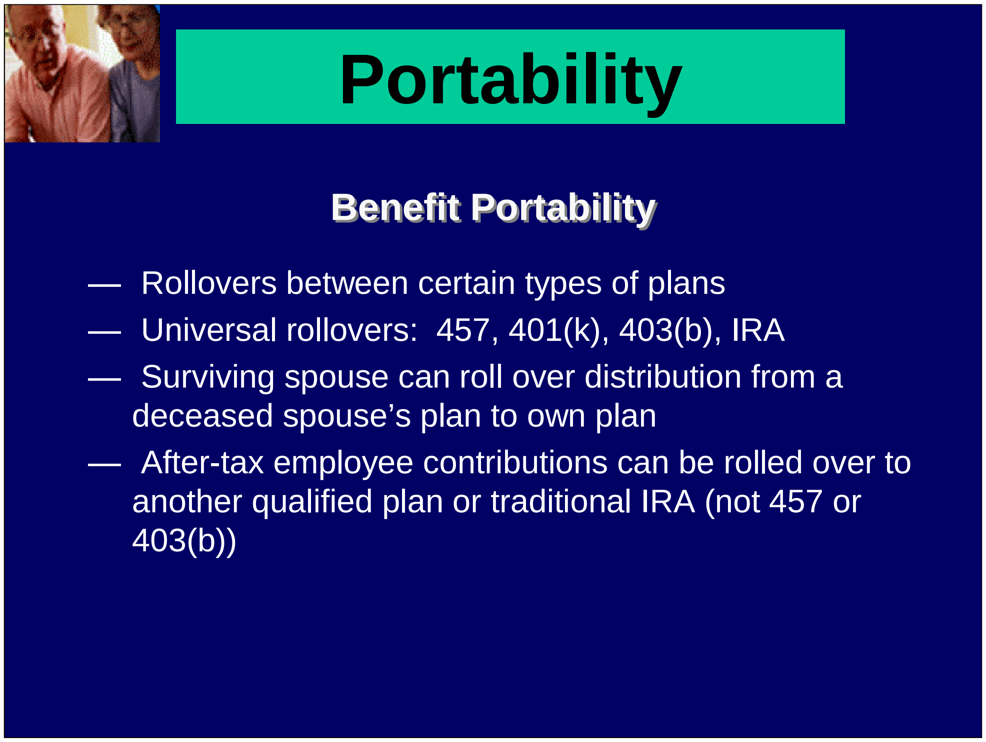
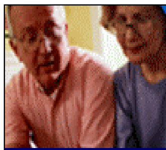


If you change employers or leave your job for any reason, you may be allowed to roll over distributions from your old employer's retirement plan into a new employer's plan or an IRA. A rollover avoids immediate taxation of the distributed funds. Rolled over amounts are taxed when finally paid to you or a beneficiary.

For distributions after 2001, the new law allows eligible distributions from 401(k)s and other tax-qualified plans, 403(b) annuities, and governmental 457 plans to be rolled over tax free to any of the other types of plans that accept rollovers or to an IRA. A surviving spouse will be able to roll over distributions from a deceased spouse's plan to his or her own plan. And taxable IRA distributions can be rolled over to a tax-qualified plan, a 403(b) annuity, or a 457 plan. If you've made after-tax contributions to a qualified plan, they can be rolled over to another employer's qualified plan or an IRA.



Comparison

Pension Reform

Advantages of the 457 plan vs. IRAs

- — Payroll-deducted contributions
- — Access to your funds before $59^{1/2}$
  - – No 10% penalty
- — Expert fund monitoring
  - – Exchanges without charges
- — Competitive fees
  - – Often much lower than in IRAs
- — 457 assets protected against bankruptcy claims

Deferred compensation plans offer several advantages over IRAs.

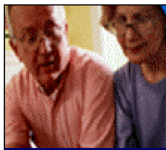
When you contribute to your retirement account, your money goes in before it's taxed.

Your plan gives you *access to retirement assets* prior to age $59^{1/2}$ without penalty (subject to restrictions by law). Access your IRA prior to age $59^{1/2}$ and you'll endure "tax penalties."

You take advantage of *expert fund monitoring* through NRS and affiliations with the National Association of Counties and the United States Conference of Mayors, as well as oversight by you, the employer. A broker- or bank-provided IRA may offer only internal oversight of its funds management. You are also able to exchange between funds without incurring charges.

The *fees are competitive* in your deferred compensation plan. Often, they're lower than those typically found in IRA plans.

457 assets are generally protected from general creditors in the event of a participant declaring bankruptcy. IRAs are not.



Comparison

Pension Reform

Advantages of the 457 plan Vs. IRA

- Variety of payout options
  - Lifetime guarantees
- Assets available in event of unforeseeable emergency
- Unbiased, salaried representatives

[first bullet] Your deferred compensation plan offers *several payout options*, including several annuitization plans designed to meet your participants' needs. In fact, you can arrange to have retirement accounts fund annuities which guarantee lifetime income.

[second bullet] 457 plan participants can gain access to their money in the event of unforeseeable emergencies.

[third bullet] Finally, you can talk with *unbiased, salaried representatives* whose only interest is helping you achieve your goals for retirement.

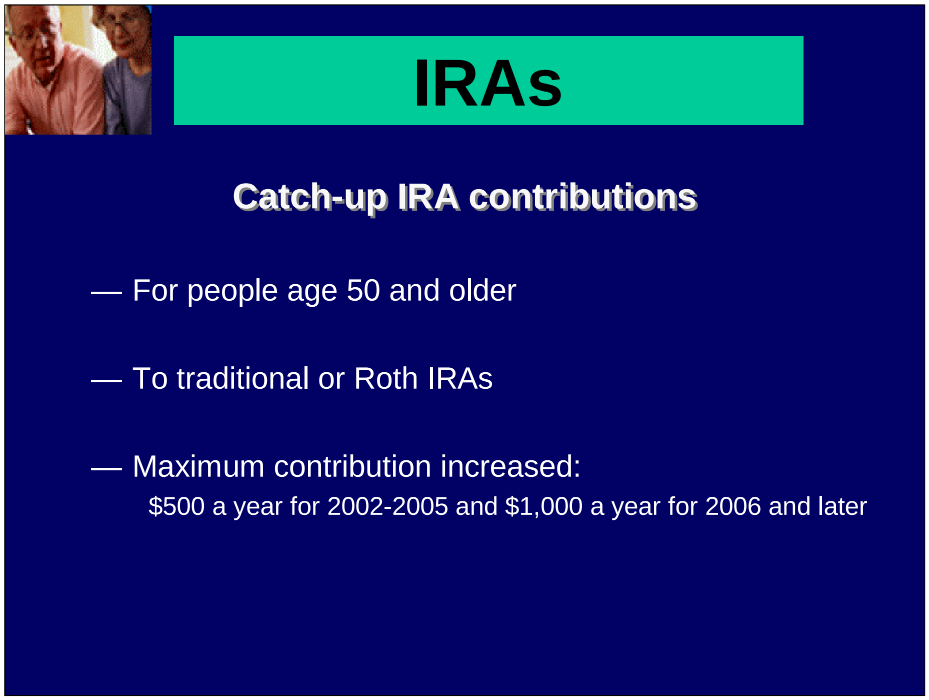
IRAs

Contributions

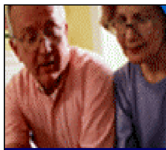
Year	Maximum Contribution
2002-2004	$3,000
2005-2007	$4,000
2008 and later	$5,000

For many years, annual contributions to IRAs have been capped at $2,000. The new law makes several favorable changes to IRAs.

First, the maximum annual total contribution that may be made to all the IRAs you own gradually rises to $5,000. The chart shows the maximum dollar limits for IRA contributions over the next several years: $3,000 in years 2002 through 2004; $4,000 in years 2005 through 2007; and $5,000 in 2008 and later years. After 2008, this amount will be adjusted for inflation.



A second IRA change will have an almost immediate effect on many members of the baby-boomer generation. If you are age 50 or older and meet the tax law's AGI limits for IRA contributions, you may make "catch-up" contributions to your traditional IRA or Roth IRA. Catch-up contributions are designed to make up for any opportunities to save for retirement that you may have missed earlier in life. Maximum contribution increases are $500 for 2002 through 2005, and $1,000 for 2006 and later years.



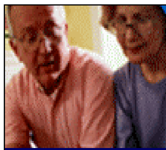
IRAs

IRAs under employer plans
“Deemed IRAs”

— Starts in 2003

— Voluntary IRA contributions to 401(k), 403(b) and 457 plans

Starting with 2003 plan years, if your employer’s retirement plan allows, you can make voluntary contributions to a separate account within the plan that has been established as a traditional IRA or Roth IRA. Any contributions you make to the plan would be subject to tax law rules that apply to the type of IRA you have chosen.



457 Plan Changes

Mandatory Changes to 457 Plans

- — Maximum Deferral Limit increases
- — Traditional Catch-up -- two times deferral limit
- — Repeal of 457 coordination
- — Increase in 457 percent of includible compensation
- — Constructive receipt rules
- — Domestic relations orders

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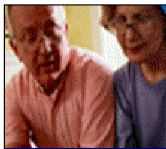

457 Plan Changes

Mandatory Changes to 457 Plans (continued)

- — Rollovers out among 457, 403(b) and 401 plans
- — Requirement to provide elective withholding notice
- — Rollover notices and 1099s for 457 plans whose distributions are eligible
- — Hardship distributions not eligible for rollover to any plan or IRA

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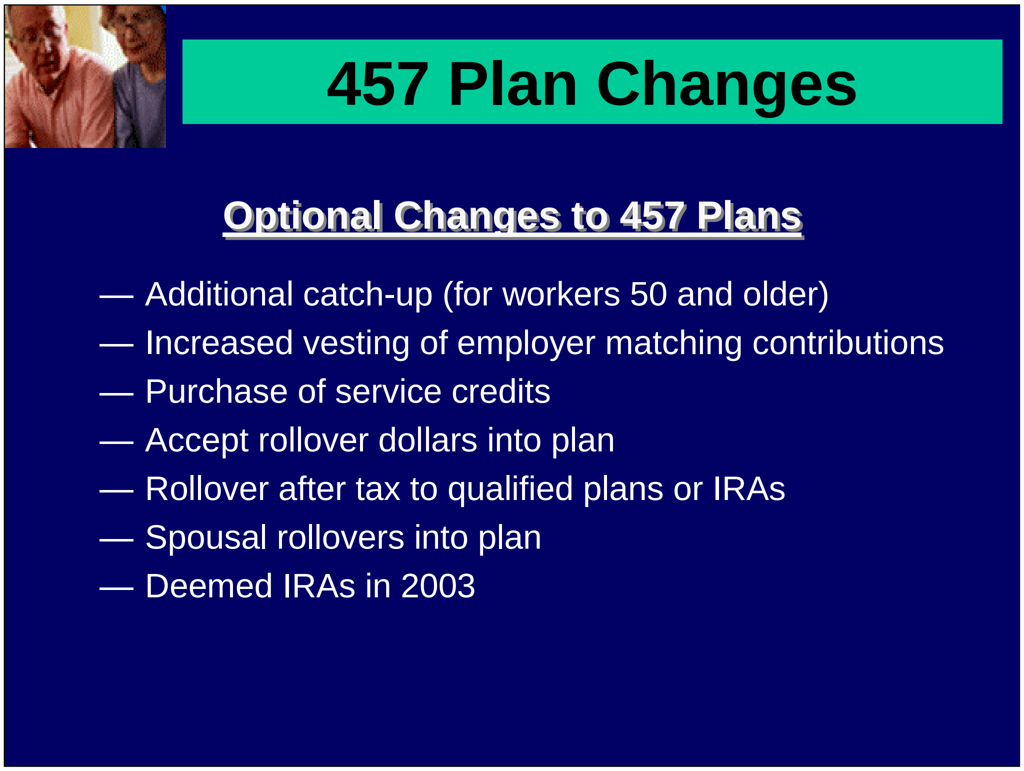

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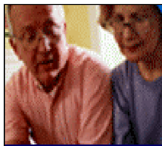

Plans

Preparing for January, 2002

— Impacts identified. Scoping systems changes.

— Obtaining additional IRS Guidance

— Communicating

<u>Employers</u>

- Website, Focus Extra Newsletter, Pension Reform booklet, Plan Document amendments, Contract changes, Face to face meetings

<u>Participants</u>

- Website, Newsletter, Pension Reform booklet, Focus Extra special edition,seminars, Targeted campaigns

Read from slide.

Plans

Open Questions

Seeking IRS Guidance / Technical Corrections

- How the law impacts previous decisions, e.g., Future Payout Date Elections, People already in payout, QDROs
- Elimination of restrictions on distributions, e.g, substantially non-increasing
- How to administer consolidated plans; treatment of after tax rollovers
- Deemed IRA’s - How will this work?

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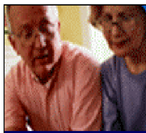

Educational Plans

Rollovers - Plans

— Develop campaign about benefits of 457 vs. IRA
— Obtain information from employers about retirees and job changers
— Deemed IRAs in 2003.

Read from slide.

CONCLUSION

Significant benefits for 457

— Increased ability to contribute
— Level playing field with qualified plans
— Increased catch up
— Repeal of Coordination of deferral limits
— Low income credit
— Increased portability
— Retains 457 advantages over qualified plans and IRAs

This concludes our summary of the Economic Growth and Tax Relief Reconciliation Act of 2001. We hope it has been informative.

Nationwide Retirement Solutions can help you understand and implement any changes to your retirement plan that may be necessary as a result of the new tax law.