**Tax credit**

To encourage low- and moderate-income individuals to save more for the future, the government offers a tax credit for contributions to eligible retirement savings plans, including the PSR Plans. You may be eligible for a credit on your federal taxes equal to a percentage (up to 50%) of the first $2,000 you invest in PSR. The credit is available if your “adjusted gross income” does not exceed $50,000 if you are married and file a joint return, or $25,000 if you are single or married and file a separate return. The actual amount of your credit is based on your tax filing status and adjusted gross income (AGI) as shown below:

<table>
<thead>
<tr>
<th>Tax Credit</th>
<th>Joint Return AGI</th>
<th>Single (other filers) AGI</th>
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</thead>
<tbody>
<tr>
<td>50%</td>
<td>Less than $30,000</td>
<td>Less than $15,000</td>
</tr>
<tr>
<td>20%</td>
<td>$30,001 - $32,500</td>
<td>$15,001 - $16,250</td>
</tr>
<tr>
<td>10%</td>
<td>$32,501 - $50,000</td>
<td>$16,251 - $25,000</td>
</tr>
<tr>
<td>0%</td>
<td>Over $50,000</td>
<td>Over $25,000</td>
</tr>
</tbody>
</table>

*Source: Internal Revenue Service*

If you take this tax credit you can still deduct your contributions to qualified retirement savings plans as allowed under current law. Speak with your tax adviser to determine whether this credit applies to you.

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**This booklet generally summarizes the Section 457 and Section 401(k) Plans offered through the State of Georgia Peach State Reserves Program. Every attempt has been made to ensure that the information in this booklet is accurate.**

**The State of Georgia Section 457 and Section 401(k) Plans are governed by legal documentation, including current tax law and the Plan documents, and are subject to and operated in accordance with the regulations of the Internal Revenue Service. In the event that there are any conflicts between this booklet and the rules and regulations governing these Plans, the terms of the rules and regulations will prevail.**

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**P L A N O V E R V I E W**

Grow the future you imagine.

The transition to the New Peach State Reserves will be completed on December 27, 2006 at 9:00 a.m.

At that time, all services described in this brochure will become available.

Prior to December 27, 2006 [http://myGApjr.csplans.com](http://myGApjr.csplans.com) is available for transition information only.
Peach State Reserves (PSR) is a state-sponsored voluntary retirement benefit plan that offers you the opportunity to invest money toward securing the retirement that you envision. Whether you’ve been saving for years, or are just getting started, PSR has the tools you need to cultivate and grow a secure, financial future.

Peach State Reserves offers:
• Easy payroll deduction
• No federal or state income taxes when you contribute or while your funds are invested. Withdrawals will be taxed when taken as ordinary income.
• Easy account access, 24/7, at http://myGApsr.csplans.com or 1-866-MY-GA-PSR
  — Monitor your account balance
  — Access investment advice
  — Manage your investments & transfer money among funds
  — Change your contribution amounts
  — Choose Automatic Rebalancing to help keep your investments on track
  — Review fund performance
  — Download forms
  — Download account data to Quicken® & Microsoft® Money
  — Update beneficiary information
• Participant Service Representatives are available by calling 1-866-MY-GA-PSR (for TDD, 1-866-503-7642), Monday – Friday, 8:00 a.m. to 8:00 p.m. to assist you with transactions, information about your account or any other general PSR questions and requests.
• In-state Plan Consultants, dedicated to serving participants of PSR will be traveling throughout the state holding PSR seminars, and will be available to meet with participants locally, when in your area. To set up an appointment to review any PSR questions you may have, call Monday – Friday, 8:30 a.m. to 5:00 p.m. to see when a consultant will be in your area. If you are in Atlanta, you may visit the PSR office to review your questions, or pick up literature or a seminar schedule.
  — 1-866-MY-GA-PSR, option 2
  — Two Northside 75, Suite 300, Atlanta

It’s easy to enroll!
You can enroll in Peach State Reserves through the PSR Web site or the PSR Information Line using your Social Security number and Personal Identification Number (PIN):
• Go to http://myGApsr.csplans.com, and log in with your Social Security number and PIN. Click on the link for the plan you wish to enroll in, and then follow the prompts for enrollment.
• Or, call 1-866-MY-GA-PSR. If you do not have your PIN, you can enroll by speaking with a Participant Service Representative using just your Social Security number. Please note, however, that enrolling is the only transaction that can be done without a PIN.

Your Personal Identification Number (PIN)
You will need your PIN for all transactions, except enrolling with a Participant Service Representative through the PSR Information Line.

Current PSR participants, and employees hired after December 27, 2006, will automatically receive a PIN by mail. If you do not have a PIN there are two ways to obtain one. You may visit the PSR Web site at http://myGApsr.csplans.com, and click on the link Forgot Your PIN? in the User Login box. Or, you may call the PSR Information Line at 1-866-MY-GA-PSR, and provide your Social Security number. Your PIN will be mailed to your address on record within three business days.

When you log on to the PSR Web site for the first time, you will be prompted to choose security questions to establish future PIN reset capabilities. This will allow you to change your PIN online if you forget or misplace it in the future.

Educational seminars
In an effort to help you reach your long-term financial goals, seminars are held throughout the state on a variety of topics, including investment basics, retirement planning, asset allocation techniques, and more. You can locate a seminar near you by visiting the PSR Web site or calling the PSR Information Line.
Getting started: choosing your plan

PSR offers two deferred compensation/defined contribution plans to employees. The plans are offered in compliance with Internal Revenue Code Sections 457 and 401(k) and enable participants to accumulate funds for their future security on a tax-deferred basis. Employees may enroll in either the 457 Plan or 401(k) Plan, or both, based on the following eligibility requirements:

### 457 Plan Eligibility

All state employees, employees of participating Authorities, employees of the General Assembly and the state court system, employees of most county Boards of Health, employees of participating Community Service Boards, employees of participating colleges and universities under the State University System, and employees of participating Boards of Education.

### 401(k) Plan Eligibility

Same as the 457 Plan, but must be in permanent, full-time positions or be part-time/temporary employees who work at least 1,000 hours a year. Employees of the Georgia Lottery Corporation are eligible for the 401(k) Plan only. Some colleges and universities only offer the 457 Plan. Please consult your personnel office to determine plan eligibility.

- Certain employees are eligible for a 7.5% employer contribution to the 401(k) Plan as follows:
  - Community Service Board employees who are not eligible for the State Employees’ Retirement System who meet the requirements noted above. Consult your personnel office regarding your eligibility for the 401(k) Plan employer contribution.
  - Georgia Lottery Corporation employees who are not eligible for any State Defined Benefit program.

After you complete the simple enrollment process, your contributions will be made through payroll deduction on a pre-tax basis. No federal or state income taxes are withheld from your PSR contributions during the accumulation phase. Taxes will be computed and deducted in the future when you begin to withdraw funds from your account.

Contributing to Peach State Reserves

When you enroll in PSR, you must decide how much to have deducted from each paycheck and where to have the money invested. Contributions must be in increments of $1.00.

### Contribution Limits

#### Minimum contributions

$15.00 for semi-monthly, and $30.00 for monthly payrolls.

#### Maximum annual contributions

100% of income, as permitted by IRS rules, up to $15,000 for 2006, and $15,500 for 2007.

If participating in both the 457 Plan and the 401(k) Plan, the maximum combined contribution is 100% of your eligible compensation, or the amount of the 457 Plan limit plus the 401(k) Plan limit, whichever is less.

### Catch-up Provisions

#### 457 and 401(k) Plans

- **The Age 50 and Over Catch-up* Provision:** allows a participant, who reaches age 50 before the end of the tax year, to make additional contributions of $5,000 in 2006 and 2007.

#### 457 Plan Only

- **The Three-Year Catch-up* Provision:** allows a participant, who has not been contributing the maximum, to contribute twice the maximum annual contribution amount during the three years prior to their Normal Retirement Age. A participant must work with an in-state Plan Consultant to calculate the additional amount that they are eligible to contribute. Plan Consultants can be reached by calling the PSR Information Line, Monday – Friday, 8:30 a.m. to 5:00 p.m.

* The 457 Three-year Catch-up Provision can not be used in the same tax year as the Age 50 and Over Catch-up Provision for the 457 Plan.

You may change your contribution amount as often as you like, or cancel it completely, by visiting the PSR Web site or calling the PSR Information Line.

If you have an IRA or retirement plan from a previous employer, you may want to consider a rollover of those funds into your PSR account.
**Investments**

You must choose where to invest your contributions, and your employer contribution if applicable, in 1% increments adding up to 100% when you enroll. PSR has 13 core investment options for complete asset coverage and the opportunity for a well-diversified portfolio, five Lifecycle Funds, and a Self-Directed Brokerage Account from which you can choose *(see opposite page)*. More information on each of the available investment options can be found on the PSR Web site in the Investment section under Fund Information.

Prior to investing, you should carefully review all fund information and objectives and consult with your investment adviser. Fund materials can be obtained from the CitiStreet office in Atlanta, by calling 1-866-694-2777, or by visiting the PSR Web site.

**Lifecycle Funds**

For participants looking for a simple investment solution, you have access to a set of diversified portfolios that are managed over time toward a series of specifically established “maturity dates.” You select a fund with a maturity date that correlates to the time period when you expect to enter retirement, or to begin withdrawing monies from PSR. The funds then do the rest. They are designed to help you build value in the early years, and protect that value as you approach retirement.

**Self-Directed Brokerage Account (SDBA)**

The Self-Directed Brokerage Account offered through State Street Global Markets, LLC gives you access to most individual stocks and bonds and to more than 9,000 mutual funds. Competitively priced, the online trading fee for the first 1,000 shares of stock is just $24.95 plus $0.03 for each additional share over 1,000. Fees for mutual fund purchases range from no trading costs for no-load, no transaction fee mutual funds, to $34.00 for funds that carry a transaction fee. Load mutual funds carry their own specific sales loads and/or redemption fees noted in the prospectus.

**Investment Options**

<table>
<thead>
<tr>
<th>ASSET CLASS</th>
<th>INVESTMENT OPTION</th>
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<tr>
<td><strong>Stable Value</strong></td>
<td>Stable Value Fund <em>(new name only)</em></td>
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<tr>
<td><strong>Bonds</strong></td>
<td>Active Core Bond Fund</td>
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<td><strong>Lifecycle Funds</strong></td>
<td>Lifecycle Income</td>
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<td>Lifecycle 2010</td>
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<td>Lifecycle 2020</td>
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<td>Lifecycle 2030</td>
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<td>Lifecycle 2040</td>
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<td><strong>U.S. Equities</strong></td>
<td><strong>Large Cap Funds — Actively Managed</strong></td>
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<tr>
<td></td>
<td>Active Large Cap Value Stock Fund</td>
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<td>Active Large Cap Growth Stock Fund</td>
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<td><strong>Large Cap Funds — Index</strong></td>
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<td>Large Cap Value Stock Index Fund</td>
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<td>Large Cap Core Stock Index Fund</td>
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<td>Large Cap Growth Stock Index Fund</td>
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<td><strong>Small/Mid Cap Funds — Actively Managed</strong></td>
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<tr>
<td></td>
<td>Active Small/Mid Cap Value Stock Fund</td>
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<td>Active Small/Mid Cap Growth Stock Fund</td>
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<td><strong>Small/Mid Cap Funds — Index</strong></td>
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<td>Mid Cap Core Stock Index Fund</td>
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<td>Small Cap Core Stock Index Fund</td>
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<td><strong>Real Estate</strong></td>
<td>Active Real Estate Securities Fund</td>
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<td><strong>International Equities</strong></td>
<td>Active International Stock Fund</td>
</tr>
<tr>
<td><strong>Self-Managed</strong></td>
<td>Self-Directed Brokerage Account (SDBA)</td>
</tr>
</tbody>
</table>
CitiStreet Advisor Service

If you have questions regarding which options to choose, the CitiStreet Advisor Service, powered by Financial Engines®, an independent financial expert, is a valuable resource for specific investment advice. You can access the service by logging on to the PSR Web site and clicking on CitiStreet Advisor Service from the Select an Option pull-down menu, or by calling the PSR Information Line.

Services included in the cost of the quarterly administrative fee to all participants:

- **Personal Retirement Guide** — This tool allows you to model different saving and investment options and view the potential outcome. You can use this information to make more informed investing decisions.

- **Personal Online Advisor** — This is a web-based guide for the “tell me what to do” type of investor. Based on your input, the advisor software will display a retirement forecast of your current investment choices, and make investment and savings recommendations.

Fee-based account management service:

- **Professional Account Manager** — This full-service option is designed for the “do it for me” type of investor, if you would rather have an investment professional proactively manage your PSR account. You benefit from ongoing assessments of your progress, periodic proactive recommendations, and automatic tools to keep you on target. Your advisor will provide you with a complete retirement assessment, and specific savings and investment recommendations designed to help you meet your financial goals. After your free initial consultation, you can decide whether to enroll in the ongoing account management service. If you elect to enroll in the program your account will be charged monthly, based on your current account balance, according to the table below. You can start or stop the service at any time.

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<th>Professional Account Manager Tiered Fee Schedule</th>
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<td>Next</td>
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<td>Over</td>
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Account balances and quarterly statements

A participant’s account value is determined by their contributions, and any employer contributions if applicable, and the investment performance of those contributions. Account values fluctuate with market conditions, and at any time, the value of an account may be worth more or less than the original amount invested. Fund prices are updated daily and can be found on the PSR Web site or by calling the PSR Information Line.

Each calendar quarter, participants will receive a statement showing the contributions made during the quarter, any interest and investment gains or losses, and the current account balance. Quarterly statements will be mailed by the 15th business day after the end of each calendar quarter. Participants can also access account information by using their PIN and logging on to the PSR Web site or by calling the PSR Information Line.

Distributions, in-service withdrawals, penalties and tax liability

PSR was designed to be a vehicle for saving toward retirement on a pre-tax basis. Monies may be withdrawn out of PSR account(s), as permitted by federal regulations, upon retirement, separation from service, and in the event of death, with benefits paid to a beneficiary(ies). Under very specific situations in-service withdrawals are permitted.

Distributions

Upon retiring or leaving state employment, you may begin taking distributions from PSR at any time after meeting the 30-day waiting period requirement. You must begin taking distributions from PSR no later than April 1st following the year you reach age 70 1/2. You may elect to receive a lump sum, a partial lump sum, payments for a specific time period, payments based on your life expectancy or you and your spouse’s joint life expectancy, or to purchase an annuity. Monthly, quarterly, semi-annual or annual payment options are available. You may increase, reduce or cease your benefit payments at any time, unless you have started receiving IRS Required Minimum Distributions after reaching age 70 1/2.
**In-service withdrawals and early withdrawal penalties**

The Plans are not designed as a source to pay for emergency expenses or financial hardship. Therefore, it is very difficult to qualify for withdrawals prior to separation from state service. Unforeseeable emergency and financial hardship withdrawals are limited and must meet the guidelines established by the State of Georgia. Supporting documentation must accompany all requests, and the amount withdrawn cannot exceed the amount needed to satisfy the emergency. Withdrawals are permitted under the following circumstances:

**457 Plan**
- When you experience a qualifying, unforeseeable emergency that causes extreme financial hardship.
- You may elect a one-time in-service withdrawal if your account balance is $5,000 or less, provided you have not made a contribution during the two-year period ending on the date of the distribution, and have never received a prior in-service withdrawal under these same conditions.
- No early withdrawal penalty for monies withdrawn prior to age 59 1/2.

**401(k) Plan**
- When you experience an immediate and heavy financial need related to the following categories: medical care, purchase of a principal residence, repairs to a principal residence that qualify for a casualty deduction under the Internal Revenue Code, eviction or foreclosure from your principal residence, post-secondary education funding for you, your spouse or your dependents, or for funeral expenses.
- Amounts withdrawn prior to age 59 1/2 are subject to a 10% early withdrawal penalty.

**Tax Liability**

All distributions from PSR, with the exception of a rollover to another eligible retirement plan or a traditional IRA, will be treated as ordinary income in the year the money is received and will be subject to federal and state income taxes. CitiStreet will withhold 20% for federal tax purposes at the time of payment on all payments that cannot be rolled over.

More information on distribution and payment options, or on amounts available for withdrawal, can be found on the PSR Web site or by calling the PSR Information Line.

**Plan management and administration**

The Employees’ Retirement System of Georgia (ERS) is responsible for the overall management of Peach State Reserves. ERS is responsible for the management of PSR investments while CitiStreet, a leader in the financial services industry, is the Plan’s recordkeeper and is also responsible for customer service, plan administration and participant communication.

**Fees**

Participant fees will be assessed in order to cover expenses from the following three sources: 1) investment management and securities selection, 2) administration of PSR, and 3) the recordkeeping fee for participant accounts.

- The recordkeeping fee for participant accounts (457 Plan, 401(k) Plan, or both) will appear as a transaction on quarterly statements. This fee is $12.50 per quarter, per participant. If a participant has both a 457 and 401(k) Plan account they will be assessed only one fee, which will be charged to the 457 Plan account.
- The investment management and securities selection fees, as well as a fee to pay for the administration of PSR, will accrue daily and be reflected in the Net Asset Value of each investment option. Fees vary and a fee table is available at [http://myGApsr.csplans.com](http://myGApsr.csplans.com).