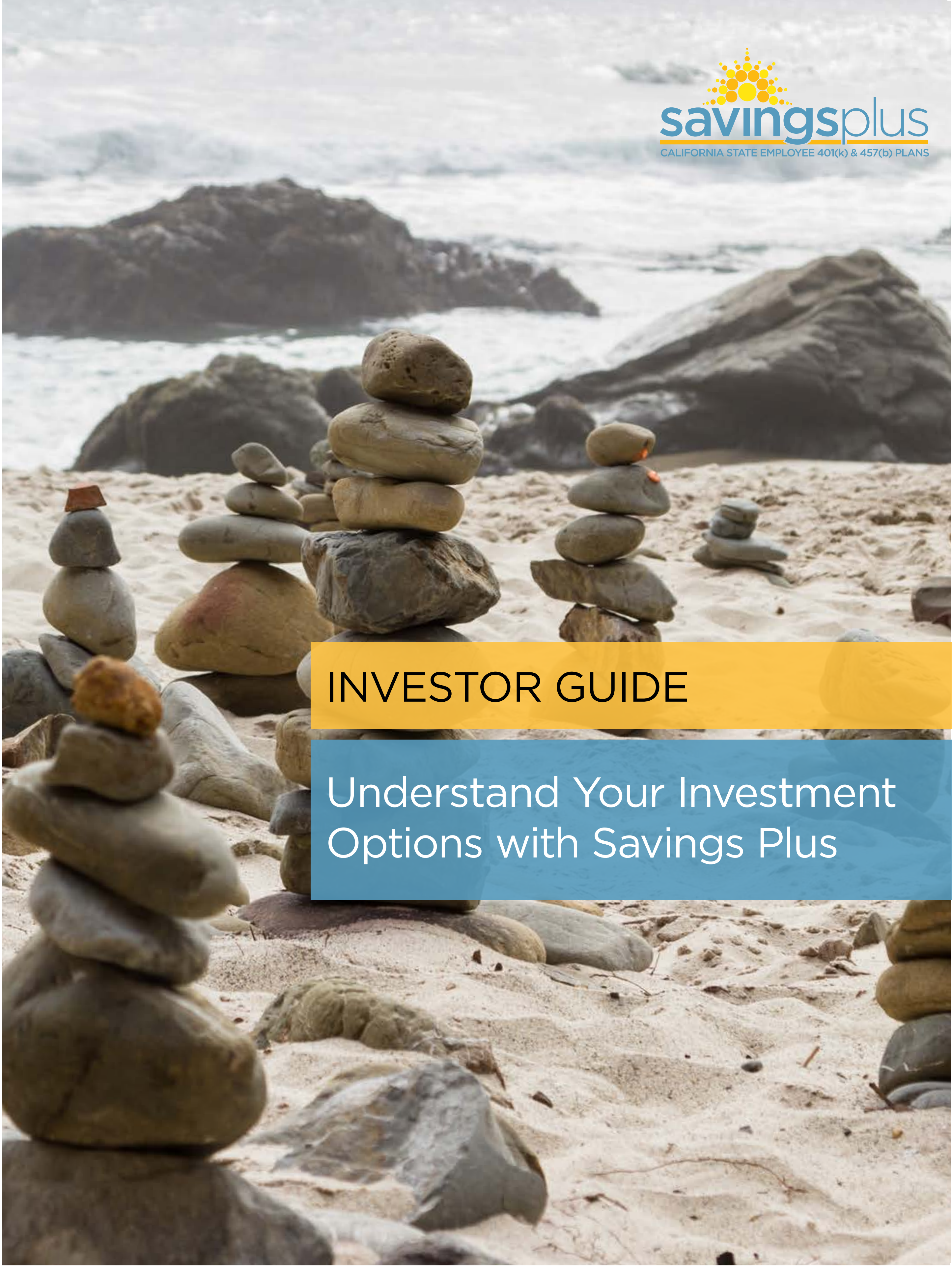

savingsplus
CALIFORNIA STATE EMPLOYEE 401(k) & 457(b) PLANS

# INVESTOR GUIDE

## Understand Your Investment Options with Savings Plus

## Contents

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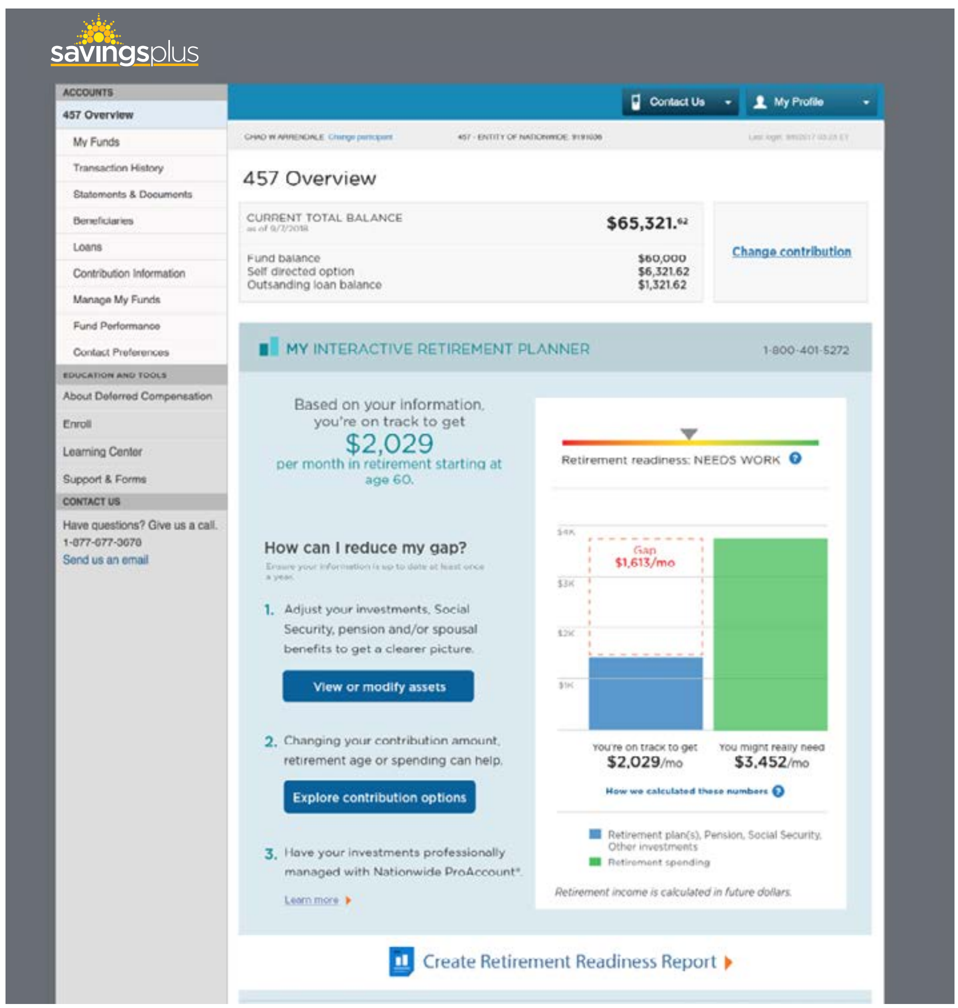
Savings Plus is a complementary plan to your CalPERS pension and is a valuable state benefit offered by CalHR. We encourage you to make the most of your participation by using the many tools and resources developed to help you on your path to retirement. Savings Plus is with you for life!

As a participant in Savings Plus, you are both a saver and an investor. Every investor is different. Therefore, Savings Plus offers an array of options to serve your individual preferences. In this guide, you will find an overview of your options.

# Not sure where to start?

Use My Interactive Retirement Planner[SM], an interactive tool on **savingsplusnow.com** that can help you evaluate and project your potential retirement savings.



# Plan and Contribution Types

Savings Plus has created multiple plans to allow employees like you to put aside money from each paycheck toward retirement. These plans may help bridge any gap between what you have in your pension, savings, and Social Security, and how much you will need in retirement, including the time after retirement and before you start drawing on Social Security.

## Contribution types — Pre-tax vs. Roth

Savings Plus offers you flexibility in how you save for retirement. You may choose to make pre-tax, Roth, or both types of contributions to both the 401(k) and 457(b) plans.

### Pre-tax contributions

- Come out of your pay before taxes are deducted. Meaning more money goes into your account than comes out of your take-home pay
- Lower your taxable income now
- Earnings grow tax-deferred until withdrawn
- Withdrawals are taxed as ordinary income

### Roth contributions

- Come out of your pay after taxes are deducted
- Contributions and related earnings may be withdrawn tax-free during retirement if certain criteria are met
- Participation has no income restrictions (like a Roth IRA)
- Can be used for estate planning
- Offer tax planning flexibility in retirement


Contributions can be specified as a percentage of your pay or a dollar amount.

# What type of investor are you?

**To help you determine how to build your portfolio, you will need to know your investor personality. If you are unsure about your investor personality, the following quick survey can help. Write your scores for each question in the right-hand column. Remember, your assessment should only be used as a starting point in planning your investing approach.**

| 1. How would you rate your knowledge of the following investing concepts? | | | | | Score |
|---|---|---|---|---|---|
| | **Excellent** | **Average** | **Poor** | **None** | |
| Asset allocation | 3 | 2 | 1 | 0 | |
| Investment risk | 3 | 2 | 1 | 0 | |
| **2. How often do you perform the following tasks in your 401(k) and/or 457(b) account(s)?** | | | | | |
| | **Weekly** | **Monthly** | **Quarterly** | **Annually** | |
| Check your 401(k)/457(b) balance(s) | 3 | 2 | 1 | 0 | |
| Change the investments in your 401(k)/457(b) account(s) | 3 | 2 | 1 | 0 | |
| **3. How confident are you that you understand the following aspects of your 401(k) and/or 457(b) account(s)?** | | | | | |
| | **Very** | **Mostly** | **Not Very** | **Not at all** | |
| Investment choices | 3 | 2 | 1 | 0 | |
| Retirement income and savings rate projection tools | 3 | 2 | 1 | 0 | |
| **4. How confident are you about your ability to:** | | | | | |
| | **Very** | **Mostly** | **Not Very** | **Not at all** | |
| Choose the right investments | 3 | 2 | 1 | 0 | |
| Forecast your income needs in retirement | 3 | 2 | 1 | 0 | |
| **5. In the past, how satisfied have you been in your ability to:** | | | | | |
| | **Very** | **Mostly** | **Not Very** | **Not at all** | |
| Choose the right investments | 3 | 2 | 1 | 0 | |
| Know the right time to make changes to your portfolio | 3 | 2 | 1 | 0 | |
| | | | | **Total score** | |

| Total score | Likely investing personality |
|---|---|
| **Under 15** | **Do it for me** or **Manage it for me** |
| **15 or more** | **Do it myself** |

# Multiple Investment Approaches Are Available

**You have a wide range of investment approaches available through Savings Plus. This gives you the ability to select an approach that fits your needs and comfort with investing.**

## Do it for me

For investors who prefer a less hands-on investing experience, Savings Plus offers **Target Date Funds.**

Target Date Funds offer a single, diversified investment strategy that automatically becomes more conservative as the fund approaches a specific target date, generally the date that you would begin taking distributions. This date is typically selected in alignment with your date of birth and assumes age 62 as the age at which you will first take a distribution.

## Manage it for me

**Nationwide ProAccount®** is a fee-based managed account service that creates and maintains a personalized retirement investment strategy.

## Do it myself

Savings Plus allows you to **build and manage a customized portfolio** by using the Savings Plus core investment funds and/or a Self-Directed Brokerage Account (see page 7). This brochure provides a tool which can help identify your risk tolerance and investment approach. You can also use My Investment Planner, our online advice tool, to help you make decisions about your portfolio.

**Both the Target Date Funds and Nationwide ProAccount are comprised of the Savings Plus core investment funds.**

# Do It for Me

A great option for investors who want to pick one fund aligned with a designated target date to begin distributions

## Target Date Funds[1]

If you do not select how you want your contributions invested when you first enroll, your contributions will post to the Target Date Fund that most closely aligns with your date of birth. Refer to the table below to see the fund that would apply to you.

| If you were born between... | You might choose this fund (assumes taking a distribution at age 62) |
|---|---|
| 1955 or earlier | Target Date Fund–Income |
| 1956 – 1960 | Target Date Fund–2020 |
| 1961 – 1965 | Target Date Fund–2025 |
| 1966 – 1970 | Target Date Fund–2030 |
| 1971 – 1975 | Target Date Fund–2035 |
| 1976 – 1980 | Target Date Fund–2040 |
| 1981 – 1985 | Target Date Fund–2045 |
| 1986 – 1990 | Target Date Fund–2050 |
| 1991 – 1995 | Target Date Fund–2055 |
| 1996 – 2000 | Target Date Fund–2060 |
| 2001 – 2005 | Target Date Fund–2065 |

Each Target Date Fund offers a diversified mix of investments that becomes more conservative as the fund approaches a specific target date. Instead of choosing a fund based on risk (such as conservative or aggressive), you choose one fund based on the time frame in which you expect to begin taking distributions from your account.

The asset allocations in the Target Date Funds are rebalanced annually, becoming more conservative as the target date approaches. Each Target Date Fund assumes age 62 as the date you will begin taking distributions, but you should choose the Target Date Fund that best matches your goals.

Target Date Funds invest in a wide variety of underlying funds to help reduce investment risk; you pay only the proportionate share of the expenses of those funds. Like other funds, Target Date Funds are subject to market risk and loss. Loss of principal can occur at any time, including before, at, or after the target date. There is no guarantee that Target Date Funds will provide enough income for retirement. Target date is the approximate date when investors plan to start withdrawals. Principal value of the fund is not guaranteed at any time including the target date.

# Manage It for Me

An option for investors who want an investment professional to handle their account

## Professionally managed service

Nationwide ProAccount® is a fee-based, managed account service that creates and maintains a personalized retirement investment strategy. This service manages your account using the Savings Plus core investment funds lineup.

Fees associated with ProAccount are as follows:

| Account Balance | Annual Program Fee |
|---|---|
| The first $99,999 | 0.50% |
| The next $150,000 | 0.45% |
| The next $150,000 | 0.40% |
| The next $100,000 | 0.35% |
| Assets of $500,000 and above | 0.30% |

**For example,** the fee assessed on an account with an average balance of $10,000 would be $50 per year or $12.50 charged on a quarterly basis.

To enroll in the Nationwide ProAccount Professional Management program or obtain additional information, contact our Service Center at (855) 616-4776.

Nationwide ProAccount will send you a personalized plan, help you put your plan into action, and routinely monitor your account.

**You can cancel anytime without penalty.**

# Do It Myself

An option for investors who want to fully manage their investments

## Build and manage your portfolio

You can build and manage a customized portfolio with Savings Plus' core investment funds that cover a broad range of asset classes with different risk/reward potential. These funds are featured in the table below in order of their level of risk, with the most conservative listed first. For more information, see the Addendum on page 11.

For more details about these funds, view the Fund Fact Sheets on savingsplusnow.com.

| Core Investment Funds | |
|---|---|
| **Managed Funds** (Active Management) | **Index Funds** (Passive Management) |
| **Short-Term Investments**<br>Short-Term Investment Fund–Cash<br>Short-Term Investment Fund | |
| **Bonds**<br>Bond Fund | Bond Index Fund |
| **Diversified Real Return**<br>Diversified Real Return Fund | |
| **Balanced Fund**<br>Socially Responsible Fund | |
| **Stocks**<br>Large Cap Fund<br>Mid Cap Fund<br>International Fund[1]<br>Small Cap Fund | Large Cap Index Fund<br>Mid Cap Index Fund<br>International Index Fund[1]<br>Small Cap Index Fund |

Our Asset Allocation tool, *My Investment Planner*, can help you build your investment model online. This tool is offered through Wilshire and provides advice on what investments to choose based on your input. You can then implement or modify the provided recommendations. Visit the "Investment Information" section of savingsplusnow.com to start this process.

Remember to check in regularly to make sure you are on track to reach your retirement savings goals. Savings Plus offers an automatic investment rebalancing service at no additional charge. Sign up, and Savings Plus will re-allocate your investments to your chosen investment model each quarter.

If you prefer to build your investment model on paper instead of online, complete the Asset Allocation Questionnaire on the following pages.

## What is the difference between active and passive management?

Actively managed funds are managed by an individual or management team. Managers try to outperform the corresponding benchmark.

Passively managed funds have portfolios that mirror components of a market index. Passive managers try to match the performance of a corresponding index.

## The importance of diversification

Diversification means allocating your money across several different asset categories, which may help limit your risk. If your investments are diversified, your account is less likely to be impacted by the poor performance of any one single investment category.

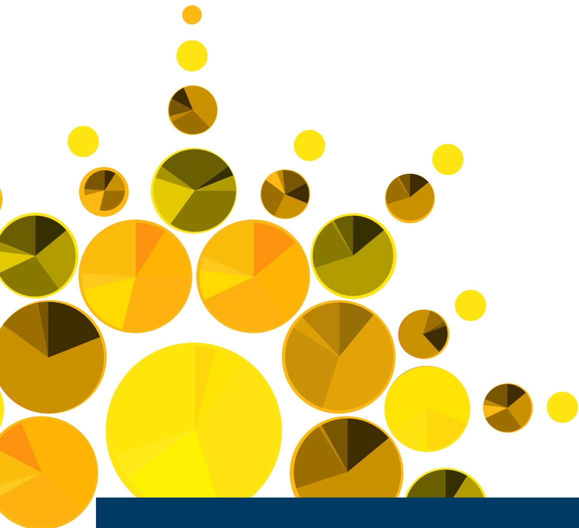
You may achieve a diversified investment mix simply by choosing a Target Date Fund, or by building your own investment mix from the Savings Plus core investment funds. If you build your own mix, your allocation should generally be based upon your overall investment goals, time horizon and risk tolerance. As these change, you may need to modify your investment allocation accordingly.

You can invest through the Schwab Personal Choice Retirement Account® (PCRA),[2] a Self-Directed Brokerage Option. The PCRA provides greater flexibility by allowing you the freedom to select and manage your portfolio from a much larger array of investments that include mutual funds, individual stocks, bonds and a variety of other options. Additional transaction fees may apply. Contact Schwab for details regarding its PCRA Fee Schedule. You must maintain a minimum balance of $2,500, or 50% of your account, whichever is less, in the Savings Plus core investment funds.

[1] Redemption fees may apply to the International Fund, International Index Fund, and all Target Date Funds. See the Transfer Restrictions and Redemption Fees document on savingsplusnow.com for more information.

[2] Fund transfers into the PCRA from the Savings Plus core investment funds can be entered as a dollar amount or a percentage from your pre-tax and/or Roth Contribution money type. Once your money is invested in the PCRA, the pre-tax and Roth money types are not tracked separately. When you transfer your assets back to the core, they are allocated back to the money types based upon the percentage in which they were originally transferred to the PCRA.

# Asset Allocation Questionnaire



Making the best asset allocation decision for you depends on knowing who you are as an investor and what options are available to balance your preferences with your goals.

The following two steps provide the information you need to help make your investment decisions. Once you have completed these steps, the core investment options that are available will be presented.

## Step 1:

Find your personal investing style — Wilshire Associates (Wilshire), a global independent investment consulting firm, developed the Asset Allocation Questionnaire and the related asset allocations. Answer the following questions to determine your personal tolerance for risk. Choose the answer that is right for you and enter the associated point value in the box provided.

### Time horizon questions

**1. Your current age is:**

A. Over 70 . . . . . . . . . . 1 point
B. 60 – 70. . . . . . . . . . 4 points
C. 50 – 59. . . . . . . . . . 8 points
D. 35 – 49. . . . . . . . . . 12 points
E. 34 or younger . . . . . . . . . . 16 points  Score ______

**2. When do you anticipate taking regular cash distributions from your account?**

A. Less than 5 years . . . . . . . . . . 2 points
B. 5 – 9 years. . . . . . . . . . 5 points
C. 10 – 15 years . . . . . . . . . . 7 points
D. More than 15 years, or I do not anticipate taking cash distributions. . . . . . . . . . 10 points  Score ______

**3. In addition to your 401(k) or similar retirement plan, does your employer actively sponsor other retirement plan benefits such as a defined benefit pension or defined contribution profit-sharing plan that are available to the majority of current employees?**

A. No . . . . . . . . . . 0 points
B. Yes . . . . . . . . . . 20 points  Score ______

## Risk tolerance questions

**4. Your risk tolerance describes your willingness to accept fluctuations in your account value in order to achieve the long-term objective of your retirement savings. Which statement best describes your tolerance for risk?**

A. Avoiding loss in my account value is more important to me than experiencing long-term growth. . . . . . . . . . . . . . . . . . . . . . . 1 point

B. I desire long-term growth of my account value, but I am more concerned with avoiding losses . . . . . . . . . . . . . . . . . . . . . . . .4 points

C. I am concerned with avoiding losses, but this is outweighed by my desire to achieve long-term growth. . . . . . . . . . . . . . . . . . . .7 points

D. To maximize the chance of experiencing high long-term growth, I am willing to accept losses . . . . . . . . . . . . . . . . . . . . . . . .10 points

Score ________

**5. While riskier than bond investments, stock investments offer the potential of higher long-term investment returns. What is your feeling about investing a portion of your money in stock investments?**

A. I am concerned that stock investments are too risky and would prefer a higher allocation to bonds . . . . . . . . . . . . . . . . . . . . 1 point

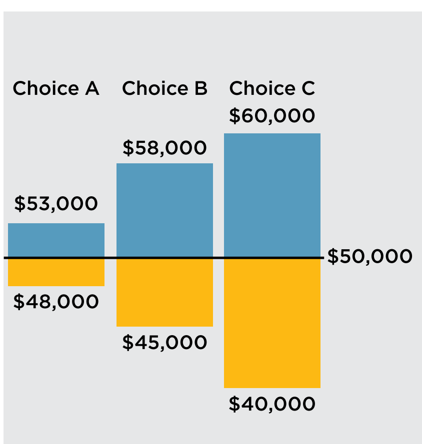
B. I understand there is additional risk with stock investments and would consider a more balanced allocation to stocks and bonds. . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .5 points

C. I understand there may be some additional risks in stock investing, but the opportunity to achieve long-term growth with a higher allocation to equities is worth serious consideration . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . .9 points

D. I understand the risks, but recognize there are growth opportunities in stock markets, and would like to maximize those opportunities . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . . 12 points

Score ________

**6. Given the volatility of the capital markets, your account value will fluctuate over time. The three choices below show potential account value ranges after a three year investment period. If you were to invest $50,000, which portfolio would you select?**




A. Account value range of $48,000 – $53,000 . . . . . .2 points

B. Account value range of $45,000 – $58,000 . . . . . .6 points

C. Account value range of $40,000 – $60,000. . . . .10 points

Score ________

Using the point values from the six questions on the previous page, enter your total points below. Using this number, you can determine the portfolio assignment appropriate for your personal preference to risk.

Total points __________

Your total points align with Portfolio Assignments as follows:

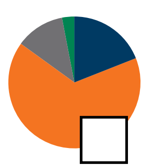
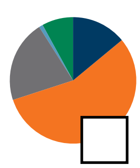
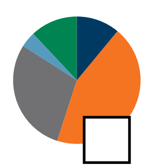
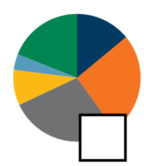
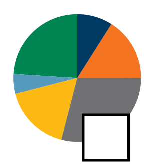
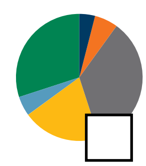
| Points Total | Portfolio Assignment |
|---|---|
| 0 – 7 | Conservative |
| 8 – 16 | Conservative Growth |
| 17 – 26 | Moderate Conservative |
| 27 – 39 | Moderate |
| 40 – 57 | Moderate Aggressive |
| 58 – 78 | Aggressive Growth |

## Step 2:

**Choose your funds** — Now that you have identified your personal investing style, it is time to select the asset categories that most closely match that style. The following table provides the suggested asset categories based upon your score and portfolio assignment.

## Identify your profile

Put a check mark in the box below that best represents your Portfolio Assignment.

| Points Total | 0–7 | 8–16 | 17–26 | 27–39 | 40–57 | 58–78 |
|---|---|---|---|---|---|---|
| |  |  |  |  |  |  |
| **Portfolio Model** | **Conservative** | **Conservative Growth** | **Moderate Conservative** | **Moderate** | **Moderate Aggressive** | **Aggressive Growth** |
| **Short Term** | 19% | 14% | 11% | 14% | 9% | 4% |
| **Bond** | 66% | 56% | 44% | 26% | 16% | 6% |
| **Large Cap** | 12% | 21% | 29% | 28% | 29% | 35% |
| **Mid Cap** | 0% | 0% | 0% | 9% | 17% | 20% |
| **International** | 3% | 8% | 12% | 19% | 24% | 30% |
| **Small Cap** | 0% | 1% | 4% | 4% | 5% | 5% |
| **Total** | 100% | 100% | 100% | 100% | 100% | 100% |

Now that you know your investor style, you can select your allocations. Refer to the core investment funds listing on page 7 to select the funds that most correspond to your investor portfolio assignment.

# Addendum: Asset Categories

## Savings Plus offers different types of investment options with various risk and reward potential.

When planning your retirement, Savings Plus provides many investment options to help you design a portfolio based upon your risk comfort levels. Risk and reward go hand in hand; where there is greater risk, there is a greater potential for performance to be rewarded. Funds ranking high on a risk-adjusted return scale demonstrate a favorable trade-off between risk and reward.

### Range of relation between potential risk and reward


The chart above displays the range of relation between risk and return potential of the seven asset categories available through Savings Plus. Target Date and Socially Responsible Funds don't appear because those funds diversify investments across several categories.

## Know your asset categories

The investment choices offered by Savings Plus fall into seven asset categories: Small Cap, International, Mid Cap, Large Cap, Diversified Real Return, Bonds, and Short-Term Investments. Diversifying your investment selections across asset categories can increase your return potential according to the level of risk you're willing to accept.

**Small Cap Stocks** typically refers to companies with market value less than $2 billion. Small companies can grow much faster than big companies, but tend to be more volatile, and their stocks tend to be more risky than the stocks of mid cap and large cap companies.

**International Stocks,** also known as foreign funds, are invested in companies located outside of the United States. Because of currency fluctuations, possible political instability, differences in accounting standards, and foreign regulations, international funds carry risks not found with domestic stock funds. Both risk and return potential are higher than the large cap and mid cap stock categories.

**Mid Cap Stocks** typically refers to companies with market values between $2 billion and $10 billion. These funds can be somewhat more volatile than large cap funds, but are generally less risky than funds devoted exclusively to smaller companies.

**Large Cap Stocks** are instruments that signify part ownership in corporations. Usually, they encounter higher market risk than do short-term investments and bonds but offer the potential for higher long-term returns. Large cap typically refers to companies with market values exceeding $10 billion. Large cap funds tend to be less volatile and offer lower risk than do funds with smaller capitalizations.

**Diversified Real Return** includes three investment types: Treasury Inflation-Protected Securities (TIPS), Real Estate Investment Trusts (REITs), and commodities. Historically, these investment types have had a low correlation with one another.

**Bonds** are loans or debt instruments issued by governments or corporations that need to raise money. When investors buy bonds, they're lending money to those governments or corporations. Bonds are issued for a set period, during which interest payments are made to the bondholder. Bonds are more stable than stocks and provide a more steady flow of income than stocks. However, over a long time period, they often provide a lower rate of return than stocks.

**Short Term Investments** include two basic underlying asset types: (1) cash, which refers to short term securities, such as bank certificates of deposit (CDs) and money market funds and (2) fixed income, which includes securities issued by the U.S. Government, U.S. Agencies, corporate bonds, residential and commercial mortgage-backed securities, and other asset-backed securities. Typically, short term investments encounter less market risk than do stocks, diversified real return, and bonds because of their short duration. Therefore, they usually provide a lower rate of return than investments in those categories.

# Maintain Your Savings Plus Account

Here are some tips to remember:

1. **Reaching your retirement goals takes time.** By investing consistently, you let time and the power of compounding work to your advantage. Compounding is the ability of assets to generate earnings, which are then reinvested in order to generate additional earnings.

2. **Markets and investment objectives can change.** Review your investment strategy often to make sure it still fits your goals.

3. **The more you earn, the more you may want to save.** You may want to consider increasing your Savings Plus contribution when your salary increases. Our **Auto Increase** feature allows you to automatically increase your contribution each year so that you don't have to think about it.

4. **It could be advantageous to consolidate your assets.** Consider consolidating your previous employer's retirement plan assets into your Savings Plus account.

5. **You are saving for your future.** Saving now may assist you in meeting your retirement goals.

## Free one-on-one planning support

Savings Plus offers a comprehensive suite of support and services to help you manage your account. We provide, at no cost to you, one-on-one support with our licensed and noncommissioned Retirement Specialists, who are available throughout the state to help you plan for retirement and to work with you throughout your retirement. Visit **savingsplusnow.com** for more information.

**Website**
**savingsplusnow.com**

**Savings Plus Service Center**
(855) 616-4776
5 a.m. - 8 p.m. PT

**Savings Plus Walk-in Center**
1810 16th Street, Room 108
Sacramento, CA 95811
8 a.m. - 5 p.m. PT

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CALIFORNIA STATE EMPLOYEE 401(k) & 457(b) PLANS


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