

**STATE OF CALIFORNIA
SAVINGS PLUS PROGRAM
DEFERRED COMPENSATION PLAN**

Amended and Restated as of

January 1, 2017

CERTIFICATE

I, Richard Gillihan, Director of the State of California Department of Human Resources, hereby cause the attached document to be executed as the State of California Savings Plus Program Deferred Compensation Plan, as amended and restated effective as of January 1, 2017.

Dated this 27th day of December, 2017.

STATE OF CALIFORNIA DEPARTMENT OF
HUMAN RESOURCES

/s/R. Gillihan

by: Richard Gillihan
Director

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**STATE OF CALIFORNIA
SAVINGS PLUS PROGRAM
DEFERRED COMPENSATION PLAN**

Restatement Effective January 1, 2017

SECTION 1

Background of Plan

1.1 Introduction. The State of California Department of Human Resources, pursuant to Section 19993 of the State of California Government Code, established The State of California Savings Plus Program Deferred Compensation Plan effective May 1, 1974 (the “Plan”) for the purpose of attracting and retaining certain employees and elected officials of the State of California. The Plan was last amended and restated effective as of January 1, 2010. The Plan is hereby amended and restated in its entirety, effective as of January 1, 2017 (except as otherwise stated herein). The Plan is an eligible deferred compensation plan intended to meet the applicable requirements of Section 457(b) of the Internal Revenue Code of 1986, as amended. Capitalized terms used in the Plan are defined in Section 2.

1.2 Trust Agreement. All amounts of compensation deferred pursuant to the Plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property, or rights shall be held in trust for the exclusive benefit of Participants, Beneficiaries, and Alternate Payees under the Plan. The Trust is intended to comply with Code section 457(g) and is established pursuant to a written agreement that constitutes a valid trust under the laws of the State of California. The Trust Agreement implements the Trust and forms a part of the Plan. The provisions and benefits of the Plan are subject to the terms and provisions of the Trust Agreement. Notwithstanding any contrary provision in the instrument governing the Plan, the Plan Trustee may, unless restricted in writing by the Department, transfer assets of the Plan to a

group trust that is operated or maintained exclusively for the commingling and collective investment of monies provided that the funds in the group trust consist exclusively of trust assets held under plans qualified under Code section 401(a), individual retirement accounts that are exempt under Code section 408(e), and eligible governmental plans that meet the requirements of Code section 457(b). For this purpose, a trust includes a custodial account that is treated as a trust under Code section 401(f) or under Code section 457(g)(3). For purposes of valuation, the value of the interest maintained by the Plan in such group trust shall be the fair market value of the portion of the group trust held for the Plan, determined in accordance with generally recognized valuation procedures.

1.3 Plan Supplements. The provisions of the Plan may be modified by supplements to the Plan. The terms and provisions of each supplement are a part of the Plan and supersede the provisions of the Plan to the extent necessary to eliminate inconsistencies between the Plan and such supplement.

SECTION 2

Definitions

Wherever used in this Plan, the following terms have the meanings indicated below, unless a different meaning is plainly required by the context. The singular includes the plural, unless the context indicates otherwise.

2.1 457 Contributions. "457 Contributions" means the Normal Deferrals, Age Based Deferrals, Traditional Catch-Up Deferrals and Roth Elective Deferrals that a Participant elects to contribute to the Plan pursuant to Section 4.

2.2 Account. "Account" means the accounts and subaccounts established on behalf of a Participant, Beneficiary or Alternate Payee including, as applicable, for 457 Contributions, Rollover Contributions, Roth Conversions, and for all other money sources.

2.3 Accounting Date. "Accounting Date" means each day the value of an Investment Alternative is adjusted for contributions, withdrawals, distributions, earnings, gains, or losses.

2.4 Age Based Deferral. "Age Based Deferral" means the deferral that a Participant elects to contribute to the Plan pursuant to Section 4.3.

2.5 Alternate Payee. "Alternate Payee" means any spouse, former spouse, Domestic Partner, child, or other dependent of a Participant who is recognized by a QDRO as having a right to receive all, or a portion of, the benefits payable with respect to a Participant.

2.6 Beneficiary. "Beneficiary" means the natural person(s), a Participant's estate, or a trust, charity, or organization designated as the Participant's Beneficiary either by: (i) a Participant

under the last effective beneficiary designation made in accordance with Section 8.7, or (ii) the terms of the Plan set forth under Section 8.7.

2.7 Code. "Code" means the Internal Revenue Code of 1986, as amended.

2.8 Compensation. "Compensation," except as otherwise specified in the Plan, means adjusted gross salary for services rendered to the State as an employee including payment of accrued but unused vacation pay, sick pay (to which the Participant is otherwise entitled due to a disability retirement) and leave pay paid or made available to an employee at the time of severance from employment or retirement.

2.9 Contributions. "Contributions" means all contributions made to the Plan on behalf of a Participant, including contributions from the following money sources: Normal Deferrals; Roth Elective Deferrals; Age Based Deferrals; Traditional Catch-Up Deferrals; Rollover Contributions; Roth Conversions; Qualified Nonelective Contributions; and Plan to Plan Transfers.

2.10 Department. "Department" means the State of California Department of Human Resources (formerly Department of Personnel Administration), Savings Plus Program.

2.11 Designated Beneficiary. "Designated Beneficiary" means the natural person(s), a Participant's estate, or a trust, charity, or organization last designated by a Participant as the Participant's Beneficiary in accordance with Section 8.7.

2.12 Direct Rollover. "Direct Rollover" means an Eligible Rollover Distribution paid directly from the Plan to an Eligible Retirement Plan or from an Eligible Retirement Plan to the Plan (as

the context indicates) for the benefit of an Eligible Distributee as described in Section 401(a)(31) of the Code.

2.13 Director. "Director" means the Director of the State of California Department of Human Resources.

2.14 Domestic Partner. "Domestic Partner" means a person registered as a Participant's domestic partner at the time and in the manner required by the Department, provided that only an unmarried Participant may have a Domestic Partner.

2.15 Eligible Deferred Compensation Plan. An "Eligible Deferred Compensation Plan" is a plan established under Section 457(b) of the Code that is maintained by a state, a political subdivision of a state, any agency or instrumentality of a state or political subdivision of a state, or any other organization that is exempt from taxation under the Code.

2.16 Eligible Distributee. An "Eligible Distributee" is (i) a Participant, (ii) any Designated Beneficiary who is an individual (within the meaning of Code section 401(a)(9)(E)) or who is a trust designated beneficiary (within the meaning of Code section 402(c)(11)(B)), or (iii) an Alternate Payee.

2.17 Eligible Employee. An "Eligible Employee" is any employee or officer on the Payroll of the State who is eligible to participate in California Public Employees' Retirement System ("CalPERS"), Judges' Retirement System (including the Judges' Retirement System II Law) ("JRS"), Legislators' Retirement System ("LRS"), or California State Teachers' Retirement System ("CalSTRS"). An Eligible Employee also includes employees who are retirees or annuitants. Retirees or annuitants for purposes of this Section means temporary employees (i)

receiving a retirement allowance from CalPERS, JRS, LRS, or CalSTRS, and (ii) who are not currently accruing a benefit or service credit under CalPERS, JRS, LRS, or CalSTRS.

Notwithstanding the above, an Eligible Employee does not include: (i) employees of the Regents of the University of California; (ii) part-time employees; (iii) seasonal employees; (iv) temporary employees other than retirees or annuitants as described above; (v) leased employees (as defined in section 414(n) of the Code); (vi) contract employees; (vii) independent contractors; or (viii) reclassified employees (employees who are not initially classified by the State as common-law employees, but who are reclassified as common law employees by a governmental agency, court or other third party). Only employees of the State treated by the State as common-law employees (and not otherwise excluded from the definition of Eligible Employee) are eligible to participate in the Plan. If, during any period, the State does not treat an individual as a common-law employee and, for that reason, does not withhold employment taxes with respect to that individual, then that individual shall not be eligible to participate in the Plan during that period, even in the event that the individual is determined, retroactively, to have been a common law employee during all or any portion of that period. An individual's status as an Eligible Employee shall be determined by the individual's employment status. Payroll for purposes of this Section shall mean the system used by the State to pay those individuals the State treats as its employees for their services and to withhold employment taxes from the compensation it pays to such employees. Payroll does not include any system the State uses to pay individuals whom the State does not treat as its employees and for whom the State does not actually withhold employment taxes (including, but not limited to, individuals the State treats as independent contractors).

2.18 Eligible Governmental Plan. An "Eligible Governmental Plan" is a plan established under Section 457(b) of the Code that is maintained by a state, a political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state.

2.19 Eligible Retirement Plan. An "Eligible Retirement Plan" includes (i) an individual retirement account described in Section 408(a) of the Code; (ii) an individual retirement annuity described in Section 408(b) of the Code (other than an endowment contract); (iii) an annuity plan described in Section 403(a) of the Code; (iv) a plan qualified under Section 401(a) of the Code that by its terms permits the acceptance of rollover contributions; (v) an Eligible Governmental Plan; and (vi) an annuity contract described in Section 403(b) of the Code. For purposes of this Section 2.19, an individual retirement account or an individual retirement annuity includes a Roth IRA as defined in Section 408A of the Code.

2.20 Eligible Rollover Distribution. An "Eligible Rollover Distribution" means any distribution under the Plan to an Eligible Distributee or any amount contributed to the Plan on behalf of a Participant or an Eligible Employee (as the context indicates) other than: (i) a distribution that is one of a series of substantially equal periodic payments made annually or more frequently either over the life (or life expectancy) of the Participant or the joint lives (or life expectancies) of the Participant and the Participant's Designated Beneficiary or over a specified period of ten years or more; (ii) a distribution required to meet the minimum distribution requirements of Section 401(a)(9) of the Code; (iii) an unforeseeable emergency withdrawal pursuant to Section 7.1; or (iv) a distribution excluded from the definition of "Eligible Rollover Distribution" under the Code, applicable Income Tax Regulations, or guidance from the Treasury Department. A distribution from a Roth Elective Deferral Subaccount under the Plan will only be made to another Roth elective deferral account under an

applicable retirement plan described in Code section 402A(e)(1) or to a Roth IRA described in Code section 408A, and only to the extent the rollover is permitted under the rules of Code section 402(c).

2.21 Indirect Rollover. An “Indirect Rollover” is a Rollover Contribution made to the Plan on a Participant’s behalf that complies with the requirements of section 402(c) of the Code.

2.22 Investment Alternatives. The "Investment Alternatives" mean the investment funds designated by the Department for the investment of Participants’ Accounts.

2.23 Leave of Absence. A “Leave of Absence” for purposes of the Plan means an absence from work that is either: (i) not treated by the State as a termination of employment; or (ii) required by law to be treated as a leave of absence.

2.24 Normal Deferrals. "Normal Deferrals" means the deferrals that a Participant elects to contribute to the Plan pursuant to Section 4.3.

2.25 Participant. A "Participant" is an Eligible Employee who has satisfied the requirements of Section 3.1 of the Plan.

2.26 Plan. The "Plan" means the State of California Savings Plus Program Deferred Compensation Plan, amended and restated as of January 1, 2017.

2.27 Plan to Plan Transfer. A "Plan to Plan Transfer" is a non-taxable, in-service transfer made from the Plan to either an Eligible Governmental Plan or a government sponsored defined benefit plan in accordance with Section 7.4 or 7.5. “Plan to Plan Transfer” also includes a non-

taxable, in-service transfer made from an Eligible Governmental Plan to the Plan in accordance with Section 4.6.

2.28 Plan Year. The "Plan Year" is the twelve-month period beginning each January 1 and ending the following December 31.

2.29 QDRO. "QDRO" means a qualified domestic relations order as defined in section 414(p) of the Code, as it applies to a governmental plan.

2.30 Qualified Nonelective Contribution. "Qualified Nonelective Contribution" means an amount contributed to the Plan in accordance with Section 4.10.

2.31 Qualified Nonelective Contribution Subaccount. "Qualified Nonelective Contribution Subaccount" means the subaccount of a Participant's Account established to track any Qualified Nonelective Contribution made to the Plan on behalf of the Participant in accordance with Section 4.10. For administrative purposes, a Participant's Qualified Nonelective Contribution Subaccount may be referred to as an Employer Discretionary Account.

2.32 Rollover Contribution. "Rollover Contribution" means an Eligible Rollover Distribution contributed to the Plan on a Participant's or Eligible Employee's behalf in accordance with Section 4.7. A Rollover Contribution may include an Eligible Rollover Distribution from a separate Account established for: (i) a spousal Beneficiary who is a Participant or Eligible Employee, or (ii) an Alternate Payee who is a former spouse if the Alternate Payee is a Participant or Eligible Employee.

2.33 Rollover Subaccount. "Rollover Subaccount" means the subaccount of the Participant's Account established to track the money source of Rollover Contributions (if any) made by the

Participant to the Plan and earnings and losses on such subaccount. A separate Roth Rollover Subaccount will be established for each Participant who makes a direct rollover contribution to the Plan from a designated Roth account under another plan.

2.34 Roth Conversion Subaccount. "Roth Conversion Subaccount" means the separate account, if any, established and maintained by the Department pursuant to Section 4.8. Amounts transferred by the Department from a Participant's Account that are not Roth Elective Deferrals pursuant to Section 4.9 and any attributable investment income and gains shall be credited to the Roth Conversion Subaccount, and any allocated expenses, investment losses and distributions shall be debited to the Roth Conversion Subaccount.

2.35 Roth Elective Deferral. "Roth Elective Deferral" means a Normal Deferral or an Age Based Deferral that is irrevocably designated pursuant to Section 4.9 by the Eligible Employee at the time of the cash or deferred election as a Roth Elective Deferral that is being made in lieu of all or a portion of the pre-tax Normal Deferral or Age Based Deferral the Eligible Employee is otherwise eligible to make under the Plan and treated by the State as includible in the Eligible Employee's income at the time the Eligible Employee would have received that amount in cash if the Eligible Employee had not made a cash or deferred election.

2.36 Settlement Date. A Participant's "Settlement Date" shall be the date on which the Participant's Account balance is distributable because of the first to occur of the following: (i) the calendar year in which the Participant attains age seventy and one-half (70½); or (ii) the date of the Participant's severance from State employment.

2.37 Spouse. "Spouse" means a person to whom the Participant is legally married as listed on a valid marriage certificate or death certificate.

2.38 State. The "State" means the State of California.

2.39 Traditional Catch-Up Deferrals. "Traditional Catch-Up Deferrals" means the Traditional Catch-Up Deferrals that a Participant elects to contribute to the Plan pursuant to Section 4.3.

2.40 Trust. "Trust" means the trust account established pursuant to the Trust Agreement.

2.41 Trust Agreement. The "Trust Agreement" means the separate agreement entered into by and between the Department and the Trustee, pursuant to which the Trust is held, administered and distributed.

2.42 Trustee. The "Trustee" means the person(s) or entity, and any successors thereto, named in the Trust Agreement who is appointed by the Department to act as trustee of the Trust.

SECTION 3

Eligibility and Participation

3.1 Eligibility to Participate. Subject to this Section 3, eligibility to participate in the Plan shall be determined as follows:

- (a) An Eligible Employee shall be eligible to become a Participant in the Plan on the Eligible Employee's date of hire. An Eligible Employee shall become a Participant by electing to defer compensation in accordance with Section 4.
- (b) Notwithstanding any provision of the Plan to the contrary, an Eligible Employee who is not yet a Participant may make a Plan-to-Plan Transfer in accordance with Section 4.6 or a Rollover Contribution to the Plan in accordance with Section 4.7. Any Eligible Employee who makes a Plan-to-Plan Transfer or a Rollover Contribution to the Plan shall be treated as a Participant.

3.2 Period of Participation. Subject to the provisions of Section 3.5 relating to resumption of participation, an Eligible Employee who becomes a Participant shall continue as a Participant until the later to occur of the date of the Participant's termination of employment with the State or the date on which all assets in the Participant's Account under the Plan have been distributed.

3.3 Leave of Absence. Unless a Participant timely elects otherwise, a Leave of Absence shall not interrupt continuity of service or an employee's status as a Participant in the Plan.

3.4 Qualified Military Service. Notwithstanding any provision of the Plan to the contrary, contributions, benefits, and service credit with respect to qualified military service shall be provided in accordance with section 414(u) of the Code.

3.5 Commencement or Resumption of Participation. If a Participant terminates employment with the State and subsequently is reemployed as an Eligible Employee by the State, the Participant shall again be eligible to participate in the Plan as of the first day of the Participant's reemployment with the State. If an Eligible Employee who was not a Participant terminates employment with the State and subsequently is reemployed by the State, the Eligible Employee shall be eligible to become a Participant in the Plan in accordance with Section 3.1.

SECTION 4

Participant Contributions

4.1 457 Contributions. Subject to the conditions and limitations of the Plan, including the limit on 457 Contributions set forth in Section 4.3, each Eligible Employee may elect to make certain 457 Contributions to the Plan for each Plan Year in the form of (i) Normal Deferrals and, if eligible, (ii) Traditional Catch-Up Deferrals or (iii) Age Based Deferrals in accordance with the provisions in Section 4.3. The Participant's election may irrevocably designate the type (either Roth Elective Deferral, pre-tax deferral or a specific combination) of Normal Deferrals, Traditional Catch-Up Deferrals and Age Based Deferrals to be withheld. If no designation is made, the amount elected shall be treated as a pre-tax deferral. 457 Contributions made to the Plan as Roth Elective Deferrals may not later be reclassified as pre-tax deferrals. A Participant may elect to change, discontinue, and/or resume Normal Deferrals in accordance with Section 4.2. Subject to the conditions and limitations of the Plan, a Participant's election shall remain in effect until any change, suspension, or termination properly elected by the Participant under Section 4.2 becomes effective. The amount to be deferred shall be withheld from the Participant's Compensation and contributed to the Plan on the Participant's behalf by the State to the Trustee in cash within a period that is not longer than is reasonable for the proper administration of the Participant's Account.

4.2 Election to Defer Compensation. An Eligible Employee may elect to make 457 Contributions to the Plan, in accordance with procedures and time requirements established by the Department, as follows:

- (a) Initial Election: An existing Eligible Employee may make an initial election to make 457 Contributions to the Plan by entering into an agreement to defer

Compensation before the first day of the month in which the Compensation to be deferred is paid or made available. A newly hired Eligible Employee may make an election to make 457 Contributions by entering into an agreement to defer Compensation within the same month that the Compensation is paid or made available so long as the agreement is made on or prior to the first day that the Eligible Employee performs any service for the State.

- (b) Change of Election: A Participant may elect to change, discontinue and resume making 457 Contributions within limits established by the Department. Any such election must be made before the first day of the month in which the compensation to be effected is paid or made available.

- (c) Election to Defer Vacation and Leave Pay: A Participant may elect to defer accrued but unused vacation pay, sick pay (to which the Participant is otherwise entitled due to a disability retirement) and all leave pay that is:
 - (i) paid or made available at the time of severance from employment, or
 - (ii) received after severance from employment, provided the amounts are paid by the later of (a) 2-1/2 months after severance from employment, or (b) the end of the calendar year during which severance from employment occurs, but only if the Participant would have been able to use the leave if employment had continued.

The election to defer such vacation or leave is only valid if an agreement providing for the deferral is entered into within the timeframe specified in State

law (California Labor Code sections 201, 202, and 219) and Treasury Regulations.

- (d) Election to Defer Vacation and Annual Leave Pay under the “Leave Buy-Back” Program: A Participant may irrevocably elect, prior to the beginning of a Plan Year, to defer the lesser of the elected amount of vacation or annual leave accrued in the next Plan Year, or the amount of vacation or annual leave accrued in the next Plan Year authorized by the Participant’s employer for the “Leave Buy-Back” program in that Plan Year.

4.3 457 Contribution Limitations. The maximum amount of 457 Contributions that can be contributed to this Plan, whether designated as Roth Elective Deferrals or pre-tax contributions, and any other Eligible Deferred Compensation Plan in which the Participant participates for any taxable year shall not exceed the greater of (i) the combined limits in Sections 4.3(a) and 4.3(c) or (ii) the limit in Section 4.3(b).

- (a) Normal Deferral Limit. Eligible Employees may contribute Normal Deferrals to the Plan up to the following limit unless the Eligible Employee is eligible to make a Traditional Catch-Up Deferral in accordance with Section 4.3(b) and the limit for the Traditional Catch-Up Deferral exceeds the Participant’s combined Normal Deferral limit and Age Based Deferral limit (set forth in Section 4.3(c)). The determination of whether an elective deferral is a Normal Deferral shall be made on the last day of the Plan Year. The Normal Deferral limit is the lesser of:

- (i) one hundred percent (100%) of the Participant's compensation as defined in Code section 415(c)(3), which is all salary, wages and amounts received

for services rendered to the State to the extent includable in gross income, including differential wage payments as defined in section 3401(h)(2) of the Code, plus elective deferrals under sections 402(g), 125, 132(f), 403(b) and 457(b) of the Code. Compensation for these purposes also includes the Post-Severance Payments defined below, provided that the amounts are paid to the Participant by the later of (i) 2-1/2 months after the Participant's severance from employment, or (ii) the end of the calendar year during which the Participant's severance from employment occurs. A "Post-Severance Payment" for purposes of this Section 4.3(a) means:

- (A) regular compensation for services, compensation for services outside the Participant's regular working hours (such as overtime or shift differential), commissions, bonuses, and other similar payments, but only if such amounts would have been paid to the Participant if the Participant had continued in employment with the State; and
- (B) payments for unused accrued bona fide sick leave (to which the Participant is otherwise entitled due to a disability retirement), vacation, or other leave, but only if the Participant would have been able to use the leave if employment had continued.

(ii) the limit described in section 457(b)(2)(A) of the Code in effect for such calendar year. The section 457(b)(2)(A) limit for 2017 is \$18,000. After

2017, the \$18,000 limit shall be adjusted for cost-of-living increases in accordance with sections 402(g)(4) and 415(d) of the Code.

- (b) Traditional Catch-Up Deferral Limit. For one or more of the last three taxable years before the year the Participant attains Normal Retirement Age, the Participant may make Traditional Catch-Up Deferrals up to the Traditional Catch-Up Deferral limit if the Participant's Traditional Catch-Up Deferral limit exceeds the sum of the Participant's Age Based Deferral limit in Section 4.3(c) (if eligible) and the Participant's Normal Deferral limit in Section 4.3(a). The determination of whether an elective deferral is a Traditional Catch-Up Deferral shall be made on the last day of the Plan Year in accordance with Section 4.4 below. The maximum Traditional Catch-Up Deferral limit is the lesser of:
- (i) Twice the dollar amount provided under Section 4.3(a)(ii) above; or
 - (ii) The underutilized limitation. The underutilized limitation is the sum of:
 - (A) the Normal Deferral limit determined in accordance with Section 4.3(a); and
 - (B) the amount obtained by subtracting the aggregate amount of annual deferrals (not including any Age Based Deferrals) that the Participant contributed to the Plan for prior taxable years from the aggregate amount of annual deferrals (not including any amount permitted as an Age Based Deferral) that the Participant was eligible to contribute to the Plan in prior taxable years, determined

in accordance with the terms of the Plan and the requirements of the Code as in effect for the prior taxable year. A prior taxable year may be taken into account for a Participant under this Section 4.3(b) only if the taxable year began on or after January 1, 1979, the Participant was eligible to participate in the Plan for such taxable year, and the 457 Contributions for such prior taxable year were subject to the limitation contained in section 457(b)(2) of the Code.

For purposes of this Section 4.3(b), a Participant may elect his or her Normal Retirement Age in accordance with procedures established by the Department. Such elected Normal Retirement Age may be no younger than age fifty (50) and no older than age seventy and one-half (70½). If a Participant does not elect a different Normal Retirement Age, the Participant's Normal Retirement Age shall be seventy and one-half (70½). A Participant may make the Traditional Catch-Up Deferral contained in this subparagraph only if the Participant has not previously made a Traditional Catch-Up Deferral with respect to a different Normal Retirement Age under this or any other Eligible Deferred Compensation Plan sponsored by the State.

- (c) Age Based Deferral Limit. All Participants who will attain age fifty (50) on or before the last day of the Plan Year shall be eligible to make an Age Based Deferral for that Plan Year in addition to the Normal Deferral provided for in

Section 4.3(a) unless the Participant is approved to make a Traditional Catch-Up Deferral in Section 4.3(b). The determination of whether an elective deferral is an Age Based Deferral shall be made on the last day of the Plan Year, and only amounts deferred in excess of the Normal Deferral limit set forth above shall be allocated as an Age Based Deferral. The Age Based Deferral limit is the lesser of:

- (i) one hundred percent (100%) of the Participant's Compensation for the Plan Year minus all elective deferrals that the Participant has already made to all employee benefit plans sponsored by the State for the Plan Year; or
- (ii) the dollar limit described in section 414(v) of the Code in effect for such calendar year. The section 414(v) dollar limit for 2017 is \$6,000. After 2017, the \$6,000 limit shall be adjusted for cost-of-living increases in accordance with sections 414(v) and 415(d) of the Code.

4.4 Designation of Deferrals. As of each December 31, the Department shall determine the total 457 Contributions made to the Plan for each Participant for that calendar year. The 457 Contributions shall be designated as either Normal Deferrals, Traditional Catch-Up Deferrals and/or Age Based Deferrals as follows.

- (a) Traditional Catch-Up Deferrals. If the Participant is eligible to contribute Traditional Catch-Up Deferrals, the 457 Contributions shall be designated as Traditional Catch-Up Deferrals up to the maximum amount that the Participant is eligible to defer as Traditional Catch-Up Deferrals for that Plan Year.

- (b) Normal Deferrals. If the Participant is ineligible for Traditional Catch-Up Deferrals under Section 4.3(b), the Participant's 457 Contributions shall be designated as Normal Deferrals to the maximum amount permitted in Section 4.3(a).

- (c) Age Based Deferrals. If the Participant is ineligible for Traditional Catch-Up Deferrals and the Participant is eligible to make Age Based Deferrals, any 457 Contributions that have not been designated as Normal Deferrals shall be designated as Age Based Deferrals to the extent permitted by Section 4.3(b).

If undesignated 457 Contributions remain after designating 457 Contributions to the maximum extent permitted above, such undesignated 457 Contributions (and any income thereon) shall be excess deferrals.

4.5 Excess Deferrals. If a Participant has contributed excess deferrals to the Plan or has exceeded the maximum annual dollar limits described in Sections 4.3(a), (b) and (c) above for any calendar year due to combined contributions to the Plan and any other Eligible Governmental Plan sponsored by the State, such excess deferrals shall be paid to the Participant as soon as administratively practicable after the Department determines that excess deferrals have been made.

If a Participant's total 457 Contributions exceed the maximum annual dollar limits described in Sections 4.3(a), (b) and (c) above for any calendar year, due to a combination of 457 Contributions made under this Plan and any other Eligible Deferred Compensation Plan sponsored by an entity other than the State, the Participant may notify the Department in writing (on or before March 1 of the next following calendar year) of the Participant's election to have

all or a portion of the Participant's 457 Contributions (and the income allocated to such 457 Contributions) made under this Plan distributed to the Participant in accordance with this Section 4.5.

The income allocable to a distribution to a Participant of excess deferrals for a Plan Year shall be determined under any reasonable method selected by the Department, provided such method is used consistently for all Participants and for all corrective distributions for the Plan Year, and is based on the method for allocating income to Participants' Accounts.

4.6 Plan to Plan Transfers from an Eligible Governmental Plan. If a Participant participates in an Eligible Governmental Plan that provides for a transfer of plan benefits by a Plan to Plan Transfer (the "Transferor Plan"), the Participant may elect to transfer all of the Participant's account balance under the Transferor Plan to the Plan after meeting any guidelines for transfers into the Plan as the Department may set forth. The Participant must have a benefit from the amounts deferred immediately after the transfer at least equal to the benefit from the amounts deferred with respect to that Participant immediately before the transfer. A Plan to Plan Transfer may only be made on the Participant's behalf if all of the following conditions are met:

- (a) All of the assets attributable to the Participant being held by the Transferor Plan are being transferred;
- (b) The Transferor Plan is an Eligible Governmental Plan maintained by an entity of the State; and
- (c) The Participant is performing services for both the entity maintaining the Transferor Plan and the State.

4.7 Rollover Contributions. The Department may direct the Trustee to receive on behalf of a Participant (or an Eligible Employee) a Rollover Contribution of all or any portion of an Eligible Rollover Distribution from an Eligible Retirement Plan subject to the following:

- (a) The Department may accept an Eligible Rollover Distribution in the form of a Direct Rollover or an Indirect Rollover. The Department shall establish rules and procedures regarding the acceptance of Rollover Contributions, including the methods by which Direct Rollovers, Indirect Rollovers, and individual retirement account (or annuity) rollovers may be made to the Plan.
- (b) As of each Accounting Date, each Participant's Rollover Contributions (if any) since the preceding Accounting Date shall be credited to the Participant's Rollover Subaccount under the Participant's Account. All Rollover Contributions shall be accounted for separately from all other Contributions made to the Plan from all other money sources.
- (c) If the Department learns that all or part of a Rollover Contribution did not meet the requirements of the Code, the Plan shall distribute to the Participant the nonqualified portion of the Rollover Contribution (and earnings thereon) that was credited to the Participant's Rollover Subaccount.

4.8 In-Plan Roth Conversion. A Participant may elect to transfer all or any portion of the Participant's Account balance (other than the Participant's Roth Elective Deferral Subaccount balance, if any) to a Roth Conversion Subaccount. A Participant's surviving Spouse may elect to transfer all or any portion of the Participant's Account balance (other than the Participant's Roth Elective Deferral Subaccount balance, if any) to a Roth Conversion Subaccount. An Alternate

Payee who is a spouse or former spouse of a Participant may elect to transfer all or any portion of the Alternate Payee's Separate Account balance to a Roth Conversion Subaccount.

Participants' nonspouse Beneficiaries are not permitted to make transfers pursuant to this Section. Any amount that a Participant, surviving Spouse or Alternate Payee elects to transfer to a Roth Conversion Subaccount pursuant to this Section 4.8 shall be irrevocable and irreversible and treated by the State as includible in the Participant's, surviving Spouse's, or Alternate Payee's income in the year of the transfer in the same manner as if the amount had been distributed and directly rolled over into a Roth IRA.

4.9 Roth Elective Deferrals.

- (a) Application of Section. This Section will apply to contributions beginning on or after January 1, 2013.
- (b) Roth Elective Deferrals Accepted. As of the effective date under Section 4.9, an Eligible Employee may elect to irrevocably designate at the time of the Eligible Employee's election to make a 457 Contribution, all or a portion of his Normal Deferrals, Aged Based Deferrals or Traditional Catch-Up Deferrals as Roth Elective Deferrals in lieu of being treated as pre-tax deferrals.
- (c) Elections. An Eligible Employee may elect to designate all or any portion of future Normal Deferrals, Age-Based Deferrals or Traditional Catch-up Deferrals as Roth Elective Deferrals or to change or revoke any previous election to designate future Normal Deferrals, Age Based Deferrals or Traditional Catch-up Deferrals as either Roth Elective Deferrals or pre-tax deferrals at the same time and in the same manner as the Eligible Employee may elect to make, change or

revoke elections pursuant to Section 4.2. An election to contribute amounts to the Plan as Roth Elective Deferrals is irrevocable with respect to those amounts and such amounts may not later be reclassified as pre-tax deferrals. In the absence of a specific election to treat Normal Deferrals, Age-Based Deferrals or Traditional Catch-up Deferrals as Roth Elective Deferrals, such deferrals shall be treated as pre-tax deferrals.

- (d) Roth Elective Deferrals Treated as Normal Deferrals, Age Based Deferrals and Traditional Catch-Up Deferrals. Unless specifically stated otherwise, Roth Elective Deferrals will be treated as Normal Deferrals, Age Based Deferrals and Traditional Catch-Up Deferrals for all purposes under the Plan, including, but not limited to, for purposes of the individual annual limitation on Normal Deferrals and Age Based Deferrals under Code section 402(g) and on Traditional Catch-Up Deferrals under Code section 457(b)(3).
- (e) Separate Accounting. An Eligible Employee's Roth Elective Deferrals will be allocated to a separate Roth Elective Deferral Subaccount maintained for such deferrals as described in Section 6.1(b). Contributions and withdrawals of Roth Elective Deferrals will be credited and debited to the Roth Elective Deferral Subaccount maintained for each Participant.
 - (i) Records. The Plan will maintain a record of the date of the first Roth Elective Deferral and thereafter the amount of Roth Elective Deferrals in each Participant's Roth Elective Deferral Subaccount.

- (ii) **Gains or Losses.** Gains, losses, and other credits or charges must be separately allocated on a reasonable and consistent basis to each Participant's Roth Elective Deferral Subaccount and the Participant's other Accounts under the Plan.
- (iii) **Only Roth Elective Deferral Credit.** No contributions other than Roth Elective Deferrals and properly attributable earnings will be credited to each Participant's Roth Elective Deferral Subaccount.
- (f) **Re-employed Veterans.** To the extent required by the Code, re-employed veterans may designate the year for which a Roth contribution is made. If no such designation is made, the Roth contribution will be treated as having been made in the first year of military service for which the veteran could have made the contributions but not earlier than January 1, 2013. This designation shall be made solely for the purpose of the five (5) taxable year requirement of Code section 402A(d)(2).

4.10 **Qualified Nonelective Contributions.** For any Plan Year, the Plan may accept a Qualified Nonelective Contribution to a Participant's Qualified Nonelective Contribution Subaccount made in accordance with policies and procedures established by the Department. A Qualified Nonelective Contribution shall be treated as a Normal Deferral for all purposes under the Plan, except that (i) amounts in a Participant's Qualified Nonelective Contribution Subaccount are excluded from the total distributable amount of a Participant's Account for an unforeseeable emergency withdrawal, and (ii) the amount of any Qualified Nonelective Contribution shall not be taken into account for purposes of Section 4.5 regarding excess deferrals.

SECTION 5

Investment of Contributions

5.1 Investment Alternatives. The Department may designate, in its sole discretion, Investment Alternatives for the investment of Participants' Accounts, including at least three investment funds, each of which is diversified and has materially different risk and return characteristics. The Department, in its sole discretion, may designate or establish new Investment Alternatives or eliminate existing Investment Alternatives. Pursuant to section 19993.05 of the California Government Code, no fiduciary of the Plan shall be liable for any loss that results from any individual investment by a Participant in the Plan.

5.2 Participants' Investment Elections.

- (a) Initial Election. Subject to any rules, limits and procedures established by the Department and the rules and regulations of each Investment Alternative, each Participant may elect to have all or a portion of the Participant's Contributions credited to such Participant's Account invested in one or more of the Investment Alternatives. A Participant may make an allocation election under this paragraph by any method designated by the Department in accordance with rules established by the Department. Any election made under this paragraph shall be in such amounts as may be determined by the Department. Each investment election made by a Participant under this paragraph shall be effective as determined by the Department and shall apply to Contributions made to the Plan on and after the effective date of the election.

(b) Change of Election. Subject to such rules, limits and procedures established by the Department and the rules and regulations of the Investment Alternatives, each Participant may elect to have all or a portion of the amount invested on the Participant's behalf in any Investment Alternative transferred to any one or more of the Investment Alternatives. A Participant may make a transfer election under this paragraph by any method designated by the Department in accordance with rules established by the Department. Any election made under this paragraph shall be in such percentage or dollar increments as determined by the Participant in accordance with rules established by the Department. Each election made by a Participant under this paragraph shall be effective as determined by the Department.

SECTION 6

Accounting

6.1 Participants' Accounts. The Department shall maintain in the name of each Participant, Beneficiary in the case of the Participant's death, and/or Alternate Payee, as applicable, an Account. The Account shall be divided into the following money source subaccounts:

- (a) Participant Deferral Subaccount. A Participant Deferral Subaccount shall be established to reflect all Normal Deferrals, Traditional Catch-Up Deferrals, and Age Based Deferrals contributed by the Participant to the Plan and the value of the Investment Alternatives in which the Participant Deferral Subaccount is invested. The money sources include Normal Deferrals, Traditional Catch-Up Deferrals and Age Based Deferrals.
- (b) Roth Elective Deferral Subaccount. A Roth Elective Deferral Subaccount shall be established to reflect all Roth Elective Deferrals contributed by the Participant to the Plan and the value of the Investment Alternatives in which the Roth Elective Deferral Subaccount is invested.
- (c) Rollover Subaccount. A Rollover Subaccount shall be established to reflect any Rollover Contributions made by the Participant to the Plan and the value of the Investment Alternatives in which the Participant's Rollover Subaccount is invested.
- (d) Roth Conversion Subaccount. The Department shall establish and maintain a separate Roth Conversion Subaccount for each Participant who elects in accordance with Section 4.8 to transfer amounts from the Participant's Account or

subaccounts that are not a Roth Elective Deferral Subaccount. A separate Roth Conversion Subaccount will be established for each year in which a transfer is made from a Participant's Rollover Subaccount, if the source of the Rollover Contribution was a plan other than a 457(b) plan, and the five-year period during which the amount transferred is subject to a penalty under Code sections 72(t) and 402A and Treasury Regulations thereunder begins for each such transfer with the calendar year in which the transfer occurs.

- (e) Roth Rollover Contribution Subaccount. Effective for Rollover Contributions made on or after January 1, 2006, the Department shall establish and maintain, a separate Roth Rollover Contribution Subaccount for each Participant who makes a direct rollover contribution to the Plan from a designated Roth account under another plan. The five-year period during which a Roth Rollover Contribution is subject to the qualified distribution rules under Code section 402A and Treasury Regulations thereunder begins with the year in which the Participant first had designated Roth contributions made to the designated Roth account from which the Roth Rollover Contribution was made, if earlier than the first year in which the Participant first makes a Roth Elective Deferral to the Plan.

- (f) Qualified Nonelective Contribution Subaccount. A Qualified Nonelective Contribution Subaccount shall be established to reflect any Qualified Nonelective Contribution made on behalf of a Participant and the value of the Investment Alternatives in which the Participant's Qualified Nonelective Contribution Subaccount is invested.

In addition to the subaccounts described above, the Department may maintain such other subaccounts in the names of Participants, Beneficiaries, or Alternate Payees as are considered necessary or advisable. The Department may establish such rules and procedures relating to the maintenance, adjustment and liquidation of Participants' subaccounts and the crediting of contributions, earnings and losses as are considered necessary or advisable. Except as expressly modified, all subaccounts maintained for a Participant may be referred to collectively as the Participant's "Account." A Participant shall be fully vested in the Participant's Account under the Plan at all times.

6.2 Accounting Dates. Each day that the value of an Investment Alternative is adjusted for contributions, withdrawals, distributions, earnings, gains, or losses is an Accounting Date. It is anticipated that each Investment Alternative shall be valued as of each day on which the New York Stock Exchange is open for trading.

6.3 Adjustment of Account in Investment Funds. Participants' Accounts invested in the Investment Alternatives shall be maintained on the basis of dollar values or units that may be converted to dollar values. Pursuant to rules established by the Department, the Participants' assets in an Investment Alternative shall be adjusted as of each Accounting Date to reflect any distributions, contributions, earnings, gains, or losses with respect to such assets since the previous Accounting Date on which such assets were adjusted.

6.4 Qualified Domestic Relations Orders. Separate Accounts shall be set up for Alternate Payees under QDROs and administered in accordance with procedures adopted by the Department. Notwithstanding this Section or anything in the Plan to the contrary, the required minimum distribution rules under Code section 401(a)(9) and its underlying Treasury

Regulations apply to Alternate Payees and the Alternate Payee's benefits under a QDRO as described in Section 8.4.

SECTION 7

In-Service Withdrawals and Participant Loans

7.1 Unforeseeable Emergency Withdrawals. Subject to rules the Department may establish and paragraphs (a) through (e) below, a Participant, excluding a Beneficiary, whose Settlement Date has not occurred may request an unforeseeable emergency withdrawal from the Participant's Account by filing a written or electronic request with the Department. A Participant's request for an unforeseeable emergency withdrawal must include evidence deemed necessary by the Department. Such request must be made at such time and in such manner as the Department determines. An unforeseeable emergency withdrawal made under this Section shall be subject to the following terms and conditions:

- (a) A Participant may withdraw all or any portion of his or her Account and withdrawals shall be withdrawn pro-rata from the Participant's subaccounts, other than the Participant's Qualified Nonelective Contribution Subaccount, if any.
- (b) An unforeseeable emergency withdrawal may be made only on account of severe financial hardship to a Participant resulting from:
 - (i) an illness or accident of the Participant, the Participant's Spouse, or the Participant's dependent (as defined in section 152 of the Code, without regard to section 152(b)(1), (b)(2), and (d)(1)(B));
 - (ii) loss of property due to casualty; or
 - (iii) other similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant that would cause

severe financial hardship to the Participant if an emergency withdrawal were not permitted.

- (c) An unforeseeable emergency withdrawal may not be in excess of the amount reasonably needed to satisfy the emergency need of the Participant. For this purpose, a distribution is not necessary to the extent the emergency is or may be relieved from other financial resources available to the Participant, including insurance reimbursement, cessation of deferrals under the Plan and the State of California Savings Plus Program Thrift Plan (the “401(k) Plan”), 457 Plan or 401(k) Plan loan, or liquidation of other assets, to the extent the liquidation of such assets would not itself cause severe financial hardship. In accordance with rules and procedures the Department may establish, the amount of an unforeseeable emergency withdrawal may include the amount necessary to pay any Federal, state, or local income taxes or penalties reasonably anticipated to result from the withdrawal.
- (d) The amount to be withdrawn shall be withdrawn from the Investment Alternatives in the order determined by the Department for withdrawals from the Plan.
- (e) The Participant may not make 457 Contributions to the Plan or elective contributions to any other plan maintained by the State for six (6) months after approval of the unforeseeable emergency withdrawal.

In determining whether the requirements of paragraphs (b) and (c) are satisfied, the Department shall consider the relevant facts and circumstances of each case.

7.2 Voluntary In-Service Withdrawals.

- (a) A Participant who is an active employee of the State may elect to receive a distribution of the total amount payable to the Participant under the Plan if the requirements of either (i) or (ii) are met:
- (i) The Participant has attained age 70 ½; or
- (ii) The total amount payable to the Participant under the Plan which is not attributable to rollover contributions (as defined in Code section 411(a)(11)(D)) does not exceed \$5,000 (or the dollar limit under section 411(a)(11) of the Code, if greater); and the Participant has not previously received a voluntary in-service distribution of the total amount payable to the Participant under this Section 7.2(ii); and the Participant's Account has not been credited with any positive or negative 457 Contributions during the two-year period ending on the date of the in-service distribution; and the Participant does not have an outstanding or defaulted 457 loan balance. If the Participant is a former Supplement A (PST Program) Participant and has not made any 457 Contributions to the Plan, the two-year period described in the preceding sentence will be measured from the date of the last contribution under the PST Program, regardless of whether such contribution was "positive" or "negative".
- (b) Subject to the rules the Department may establish, a Participant who is an active employee of the State may request a withdrawal of all or any portion of the Participant's Rollover Subaccount, including any accrued interest. Such

withdrawal requests must be made at such time and in such manner as the Department determines. Withdrawals from a Participant's Roth Rollover Subaccount are subject to qualified distribution rules under Code section 402A and Treasury Regulations thereunder. Plan to Plan Transfers described in Section 4.6 are not Rollovers. As a result, amounts held by the Plan, on behalf of the Participant, that are attributable to Plan to Plan Transfers are not available for withdrawal under this Section.

7.3 Loans to Participants. The Department may establish a Participant loan program under the Plan. The Department may limit the number of loans available per Participant, or terminate the loan program, at any time. Any loan program established under the Plan will comply with the requirements of Code section 72(p)(2) and its underlying Treasury Regulations. In addition to the loan policies and procedures established by the Department to operate a loan program, all loans shall be subject to the following terms and conditions:

(a) Loan Program Basics Requirements.

- (i) Each loan shall be evidenced by a note in a form furnished by the Department or Department's designee. The note shall bear interest at the rate that is in effect on the date of the loan. The interest rate is the prime rate plus a percentage as determined by the Department. The prime rate used to determine the interest rate will be based on the rates published in the Wall Street Journal as described in the Plan's loan policies and procedures. The interest rate shall be reviewed periodically to ensure the rate is commensurate with those charged by commercial lenders. Each

loan shall require substantially level amortization over the term of the loan and must be repaid according to the terms described in Section 7.3(d).

- (ii) Primary residence loans and general purpose loans may be made available under the Plan's loan program. A "primary residence loan" is a loan that is to be used to purchase a dwelling unit that, within a reasonable time (as determined at the time the loan is made), is to be used as the Participant's principal residence. A "general purpose loan" is a loan that is not a primary residence loan.
 - (iii) The Department may assess fees for expenses of administration of the loan program.
 - (iv) A loan may not be made to a Participant after the Participant's Settlement Date has occurred.
 - (v) No loans may be made to Beneficiaries or to Alternate Payees.
 - (vi) Each loan to a Participant shall be secured by a pledge of a portion of the Participant's Account balances under the Plan equal to the amount borrowed.
- (b) Amount of loans. The maximum amount of any loan made to a Participant, when added to the outstanding balance of all other loans made to the Participant, shall not exceed the lesser of (i) or (ii) below:
- (i) \$50,000, reduced by the excess (if any) of:

- (A) the highest outstanding balance of loans from the Plan during the one-year period ending on the day before the date on which such loan was made, minus
 - (B) the outstanding balance of all loans from the Plan on the date such loan was made.
- (ii) Fifty percent (50%) of the present value of the Participant's Account balances under the Plan as of the date the loan was made. For purposes of this Section 7.3(b) only, the term "Plan" shall include all employee benefit plans sponsored by the State of California.
- (iii) A minimum loan amount may be established by the Department which may be adjusted from time to time.
- (c) Sources for loans. The maximum amount of any loan made to a Participant is determined by the combined value of the Participant's: Deferral Subaccount; Roth Elective Deferral Subaccount; Rollover Subaccount; Roth Conversion Subaccount; Roth Rollover Subaccount; and Qualified Nonelective Contribution Subaccount. Effective for any loan taken on or after January 1, 2016, only pre-tax money sources will be liquidated and converted into cash to make the loan.
- (d) Repayment of loans.
 - (i) Each loan that is a general purpose loan shall specify a repayment period that shall not exceed five (5) years. Each loan that is a primary residence

loan shall specify a repayment period that shall not exceed fifteen (15) years.

- (ii) Payments must be made in accordance with the level amortization requirement of Code section 72(p)(2)(C) by Participants who do not meet the requirements of Subsections (d)(iv),(v) or (vi) below. Except as provided in Section 7.3(d)(vii), any payment in excess of the required monthly repayment shall be returned to the Participant.
- (iii) As payments are made with respect to a loan, the unpaid balance of such loan shall be reduced. Payments of principal and interest shall be credited to the Participant's Account and invested in accordance with the Participant's current investment election.
- (iv) Prior to January 1, 2016, the following rules applied to a Participant on an approved medical Leave of Absence: a Participant on an approved medical Leave of Absence, other than qualified military leave, without pay or at a level of pay (after employment taxes are withheld) that is less than the loan repayment amount may request a suspension of his or her loan repayments. The suspension period shall be the lesser of the period of the Participant's medical Leave of Absence or 12 months. However, the loan must be repaid by the latest permissible term of the loan and the amount of the monthly repayments due after the medical Leave of Absence ends must not be less than the amount required under the terms of the original loan. All other Participants on an approved medical Leave of Absence

must continue to make loan payments by certified check or such other means approved by the Department.

- (v) Effective January 1, 2016, a Participant on an approved Leave of Absence, other than qualified military leave, without pay may request a suspension of his or her loan repayments. The suspension period shall be the lesser of the period of the Participant's Leave of Absence or 12 months. However, the loan must be repaid by the latest permissible term of the loan and the amount of the monthly repayments due after the approved Leave of Absence ends must not be less than the amount required under the terms of the original loan. Effective January 1, 2016, all Participants on a paid Leave of Absence must continue to make loan payments.
- (vi) Participants on a military leave of absence qualifying under the Uniformed Services Employment and Reemployment Rights Act may request a suspension of their loan repayments in accordance with section 414(u)(4) of the Code.
- (vii) A Participant whose severance from employment occurs after the Participant has received a loan, and who has an outstanding loan balance as of his or her severance from employment, may repay the loan in full in accordance with procedures established by the Department or continue to make repayments on such loan (according to the loan's amortization schedule). To the extent the Participant fails to repay the loan or make timely repayments, taking into account the Plan's cure period described in

Subsection (e)(i), below, the outstanding balance of any loan will be treated as an actual distribution to the Participant, and the Participant's Account balance will be reduced by the amount of the actual distribution. The reduction of the Participant's Account balance shall be applied in accordance with the rules established under Code section 72(p)(2) and its underlying Treasury Regulations. The Department will establish procedures for the repayment of loans outstanding as of a Participant's severance from employment. However, if the Participant's severance from employment occurs as a result of the Participant's death and the Participant has an outstanding loan as of his or her severance from employment, the loan immediately becomes due in full. The outstanding balance will be subtracted from the total Account balance in determining the amount of the actual distribution from the Participant's Account.

(viii) A Participant may repay without penalty the entire outstanding balance of a loan and accrued interest thereon at any time prior to the Participant's severance from employment, or after the Participant's severance from employment in accordance with procedures established by the Department. Partial repayments are not permitted.

(e) Unpaid loans. Unless loan payments are suspended during a Participant's period of qualified military leave or under Section 7.3(d)(iv) or 7.3(d)(v), if a Participant fails to timely make scheduled loan repayments the following shall apply:

- (i) The Participant shall have until the last day of the calendar quarter following the calendar quarter in which the delinquent amount was first due to repay the delinquent amount.
- (ii) If the Participant does not repay the delinquent amount by the period specified in 7.3(e)(i), the loan shall be considered in default. Defaulted loans shall be handled under uniform rules established by the Department in accordance with Code section 72(p)(2) and its underlying Treasury Regulations. Such rules include, but are not limited to, the following:
 - (A) For Participants who have not yet had a severance from employment on the date that a loan is considered in default, an amount equal to such loan or any part thereof, together with the accrued interest thereon, shall be deemed distributed to the Participant. Except as otherwise specifically agreed to by the Internal Revenue Service as part of the Employee Plans Compliance Resolution Program, deemed distributions are taxable events to the Participant in the year that they occur. The outstanding balance of the loan at the time of the deemed distribution, plus any interest that accrues thereon, remains a liability of the Participant. Since the amount of the deemed distribution, including accrued interest, remains an outstanding obligation of the Participant: (1) the total amount of the obligation will reduce any amount available to the Participant under any loan program of an employee benefit plan sponsored by the State of

California, and (2) interest on the deemed amount will continue to accrue until repaid by the Participant or through an offset by the Plan. Prior to January 1, 2016, a defaulted loan will count against the number of loans available to the Participant. Effective for any loan made on or after January 1, 2016, unless and until the defaulted loan is repaid in full, no other Plan loan will be made to the Participant. A defaulted loan may be repaid only in accordance with procedures established by the Department.

- (B) If the Participant had a severance from employment on the date the loan is considered in default, the promissory note shall immediately become due and payable and an amount equal to such loan or any part thereof, together with the accrued interest thereon, shall be treated as an actual distribution to the Participant, and the Participant's Account balance will be reduced by the amount of the actual distribution, unless, effective January 1, 2016, the loan is repaid in full, including accrued interest, in accordance with procedures established by the Department. The reduction of the Participant's Account balance shall be applied in accordance with the rules established under Code section 72(p)(2) and its underlying Treasury Regulations. The amount of the actual distribution shall be a taxable event to the Participant in the year that it occurs.

- (C) In accordance with the Code, the deemed distribution of a loan in default cannot be designated as a qualified distribution from a Roth Account.

7.4 Purchase of Permissive Service Credit under Defined Benefit Plan.

- (a) Prior to Severance from State Employment. A Participant who has not had a severance from state employment, or a person who is either a Beneficiary or a spousal Alternate Payee under a QDRO who would be treated as the eligible distributee of any distribution or payment from the Plan, may elect to make a direct transfer of any or all of his or her Account balance to a defined benefit governmental plan (as defined in section 414(d) of the Code), that accepts such transfers, in order to purchase permissive service credit or to make a repayment in accordance with the terms of such plan. Such elections and transfers will be made in accordance with procedures established by the Department.
- (b) After Severance from State Employment. A Participant who has had a severance from state employment, or a person who is either a Beneficiary or a spousal Alternate Payee under a QDRO who is an eligible distributee of any distribution or payment from the Plan, may elect to make a Direct Rollover of any or all of his or her Account balance to a defined benefit governmental plan (as defined in section 414(d) of the Code), that accepts such Rollovers, in order to purchase permissive service credit or to make a repayment in accordance with the terms of such plan. Such elections and rollovers will be made in accordance with procedures established by the Department.

7.5 Plan to Plan Transfer to an Eligible Governmental Plan. If a Participant participates in an Eligible Governmental Plan which allows for the receipt of contributions through a Plan to Plan Transfer (the "Transferee Plan"), the Participant may elect to transfer the Participant's Account balance under the Plan to the Transferee Plan after meeting any guidelines for transfers from the Plan as the Department may set forth. The Participant must have an amount deferred immediately after the transfer at least equal to the amount deferred with respect to that Participant immediately before the transfer. Additionally, all of the following conditions must be met:

- (a) The Participant must be performing services for the entity maintaining the Transferee Plan and the State;
- (b) All of the assets attributable to the Participant being held by the Plan are being transferred; and
- (c) The Transferee Plan is an Eligible Governmental Plan maintained by an entity of the State.

7.6 Uniformed Service Withdrawals. Notwithstanding any provision of the Plan to the contrary, with respect to a Participant whose Settlement Date has not occurred, during any period that such Participant is performing service in the uniformed services (as defined in Chapter 43 of Title 38, United States Code) while on active duty for a period of more than 30 days, the Participant may withdraw all, or any portion, of the Participant's Account. If the Participant elects to receive a withdrawal under this Section 7.6, the Participant may not make elective contributions to the Plan, or to any 401(k), 403(b) or 457(b) plan maintained by the State of California during the six-month period beginning on the date of distribution.

SECTION 8

Distributions Following Settlement Date

8.1 Manner of Distribution. Subject to the conditions set forth below, each Participant whose Settlement Date has occurred (or the Participant's Beneficiary in the case of the death of the Participant or Alternate Payee in the case of a QDRO, subject to the restrictions of Section 8.5) may elect distribution of the balance in the Participant's Account in the form of one of the payment options described in Section 8.2. In accordance with Section 8.6, a Participant may elect a Direct Rollover of any payment that constitutes an Eligible Rollover Distribution. Payment of a Participant's Account shall be made within a reasonable time after the Participant has elected to receive a distribution and the value of the Participant's Account has been determined. A Participant may defer distribution of the Participant's Account after the Participant's Settlement Date unless the Participant is subject to the provisions of Section 8.3 or 8.4. If a Participant dies prior to the complete distribution of the Participant's Account, the remaining Account balance shall be paid to the Beneficiary of the deceased Participant as provided under the Plan.

8.2 Distribution Options. Subject to the provisions of Sections 8.3 and 8.4 and the conditions set forth below, distribution of the Participant's Account balance, after all final adjustments have been made, shall be made to or for the benefit of the Participant, the Alternate Payee, or in the case of death to or for the benefit of the Participant's Beneficiary, by one or more of the following methods offered by the Department and as elected by the Participant, the Alternate Payee or the Participant's Beneficiary in accordance with procedures established by the Department:

- (a) By payment in a lump sum or partial lump sum;

- (b) By a series of periodic payments over the Participant's, the Alternate Payee's or the Participant's Beneficiary's lifetime made in accordance with procedures established by the Department;
- (c) By a Direct Rollover of any payment that constitutes an Eligible Rollover Distribution in accordance with Section 8.6; or
- (d) By a combination of the above.

8.3 Involuntary Lump Sum Distribution. Notwithstanding Section 8.2, if the value of Participant's Account does not exceed One Thousand Dollars (\$1,000.00), and no additional amounts may be deferred under the Plan with respect to the Participant, the Department may distribute to the Participant a lump sum payable after the Participant's Settlement Date. For purposes of the preceding sentence, the Participant's Roth Elective Deferral Subaccount and the Participant's Account, including other subaccounts, under the Plan, shall be treated as accounts held under two separate plans within the meaning of Code section 414(l).

8.4 Required Minimum Distributions. Distribution of the balance of a Participant's Account shall be made in accordance with section 401(a)(9) of the Code and the regulations thereunder and as set forth below. If there is any conflict between the requirements of this Section and section 401(a)(9) of the Code and the regulations issued under section 401(a)(9), section 401(a)(9) of the Code and the regulations shall apply.

- (a) Payments to Participant. The distribution of the balance in a Participant's Account must commence by April 1 of the calendar year following the later of (i) the calendar year in which the Participant attains 70½ or (ii) the calendar year in

which the Participant retires. Payments must be made at least as rapidly as over the Participant's life expectancy under the Uniform Lifetime Table set forth in Treasury Regulation section 1.401(a)(9)-9. If the Participant's sole Beneficiary is his or her spouse, the joint life expectancy under the Joint and Last Survivor Table set forth in Treasury Regulation section 1.401(a)(9)-9 shall be used to determine the amount to be distributed if longer than the Uniform Lifetime Table life expectancy. A final payment under this Section must be made in the calendar year of the Participant's death.

(b) Payments to Alternate Payees. Notwithstanding any plan provision to the contrary, in the case of distribution of an Account established for an Alternate Payee under the terms of a QDRO as described in Section 6.4, the distribution must commence by April 1 of the calendar year following the later of (i) the calendar year in which the Participant attains 70½ or (ii) the calendar year in which the Participant retires. Payments must be made at least as rapidly as over the Alternate Payee's life expectancy under the Single Life Table set forth in Treasury Regulation section 1.401(a)(9)-9.

(c) Payments after Year of Death.

(i) Commencement of Distribution. If a Participant dies and his or her sole Beneficiary is his or her surviving Spouse, the required beginning date is the later of: December 31 of the calendar year immediately following the calendar year in which the Participant died, or December 31 of the calendar year in which the Participant would have attained age 70½. If a

Participant dies and he or she has more than one Beneficiary or his or her sole Beneficiary is not the Participant's surviving Spouse, the required beginning date is the calendar year following the calendar year of the Participant's death.

- (ii) Distribution to Surviving Spouse. If a Participant dies before his or her required beginning date and his or her sole Beneficiary is his or her surviving spouse, distributions after the Participant's death shall be made at least as rapidly as over the life expectancy of the Participant's surviving spouse and determined each year under the Single Life Table.
- (iii) Distribution to Beneficiary other than Surviving Spouse. If a Participant dies before his or her required beginning date and his or her surviving spouse is not his or her sole Beneficiary, distributions after the Participant's death shall be paid no less rapidly than over the Beneficiary's life expectancy. The Beneficiary's life expectancy shall be determined under the Single Life Table in Treasury Regulation section 1.401(a)(9)-9 and reduced by one for each year after the year of the first payment.
- (iv) Distribution to Trust or if no Beneficiary. If no Beneficiary is designated (as described in the Treasury Regulations issued with respect to section 401(a)(9) of the Code) or if the Beneficiary is a trust, estate or organization, the entire remaining account balance shall be paid in a single lump sum no later than December 31 of the year following the calendar year of the Participant's death.

- (v) Multiple Beneficiaries. If the Participant has multiple Beneficiaries, each of whose benefit is allocated to a separate Account no later than the last day of the year following the calendar year of the Participant's death, each Beneficiary's remaining life expectancy shall be used to calculate the annual required distribution from each Beneficiary's Account.
- (d) Temporary Waiver of Required Minimum Distributions. Effective January 1, 2009, a Participant or Beneficiary who would have been required to receive required minimum distributions for any calendar year but for the enactment of section 401(a)(9)(H) of the Code, including calendar year 2009 and any future calendar year for which the Code and Internal Revenue Service guidance provide a similar temporary waiver of the required minimum distributions ("Calendar Year Waived RMDs"), and who would have satisfied that requirement by receiving distributions that are (i) equal to the Calendar Year Waived RMDs for such calendar year or (2) one or more payments in a series of substantially equal distributions (that include the Calendar Year Waived RMDs for that calendar year) made at least annually and expected to last for the life (or life expectancy) of the Participant, the joint lives (or joint life expectancy) of the Participant and the Participant's designated Beneficiary, or for a period of at least 10 years ("Extended Calendar Year Waived RMDs"), will receive those distributions for such calendar year unless the Participant or Beneficiary chooses not to receive such distributions. Participants and Beneficiaries described in the preceding sentence will be given the opportunity to elect to stop receiving the distributions described in the preceding sentence. In addition, notwithstanding Section 2.20 of

the Plan, Calendar Year RMDs and Extended Calendar Year RMDs, solely for purposes of applying the direct rollover provisions of Section 8.6 of the Plan, will be treated as Eligible Rollover Distributions.

8.5 Immediate Distributions to Alternate Payees.

- (a) The Department shall direct distribution of the amount of a Participant's Account balance assigned to an alternate payee under a QDRO on the earliest date specified in such QDRO, without regard to whether such payments commence in advance of the general rules for eligible plan distributions. As set forth in Section 6.4, a separate Account shall be set up for the alternate payee under the QDRO and administered in accordance with procedures adopted by the Department for that purpose.
- (b) In the case of an Alternate Payee who is the former Domestic Partner of a Participant: 1) no distribution may be paid to the Alternate Payee until the Participant is eligible for a distribution under the Plan; 2) a distribution to the Alternate Payee is taxable for federal tax purposes to the Participant, who may elect withholding on the distribution, or may elect to have no withholding; and 3) the distribution to the Alternate Payee is not an Eligible Rollover Distribution.

8.6 Direct Rollovers. Certain individuals who are to receive certain distributions under the Plan may elect that such distributions be paid in the form of a Direct Rollover (as described in section 401(a)(31) of the Code and the regulations thereunder) to the trustee or custodian of an Eligible Retirement Plan that accepts Direct Rollovers, subject to the following:

- (a) Eligible Rollover Distribution. A distribution may be paid in a Direct Rollover under this Section only if the distribution constitutes an Eligible Rollover Distribution. Notwithstanding the immediately preceding sentence, an Eligible Rollover Distribution includes only those amounts that would be includable in the gross income of the Eligible Distributee if such amounts were not rolled over to another plan as provided under Code section 402(c). However, a portion of a distribution paid as a Direct Rollover will not fail to be an Eligible Rollover Distribution merely because the portion consists of after-tax contributions that are includable in gross income, if the plan to which the distribution is made is: (i) a qualified trust or annuity contract described in Code section 403(b) that agrees to separately account for the taxable and non-taxable portions of the amount rolled over, or (ii) an individual retirement account or annuity described in section 408(a) or (b) of the Code.
- (b) Eligible Retirement Plan. Direct Rollovers of Eligible Rollover Distributions may be made to Eligible Retirement Plans. Notwithstanding the immediately preceding sentence, Direct Rollovers on behalf of an Eligible Distributee who is a nonspouse Beneficiary may only be made in accordance with Section 8.6(c).
- (c) Nonspouse Beneficiary. Direct Rollovers of Eligible Rollover Distributions may be made on behalf of an Eligible Distributee who is a nonspouse Beneficiary, but only if the nonspouse Beneficiary elects a direct trustee to trustee transfer to an inherited individual retirement account or annuity ("IRA") that meets the requirements of section 408(d)(3)(C)(ii) of the Code and that is established for the purpose of receiving the distribution on behalf of a designated beneficiary (within

the meaning of section 401(a)(9)(E) of the Code) who is a nonspouse Beneficiary. The IRA must (i) be identified as an IRA with respect to a decedent, (ii) identify the deceased Participant, and (iii) identify the designated Beneficiary. Any such transfer must comply with the rules of section 402(c)(11) of the Code and with all other applicable rules and regulations governing such transfers that are issued by the Internal Revenue Service.

- (d) Minimum Amounts. An Eligible Distributee may elect a Direct Rollover of all or a portion of an Eligible Rollover Distribution only if the total amount of the Eligible Rollover Distributions expected to be received by the Eligible Distributee during the Plan Year is \$200 or more (or such lesser amount as the Department may establish). An Eligible Distributee may elect payment of a portion of an Eligible Rollover Distribution as a Direct Rollover and may receive directly the remainder of such distribution, provided that the amount paid by Direct Rollover is at least \$500 (or such lesser amount as the Department may establish).

- (e) Elections. An Eligible Distributee's election of a Direct Rollover pursuant to this Section must be made at such time and in such manner as the Department determines. The Department shall establish such rules and procedures as it deems necessary to provide for distributions by means of Direct Rollover.

8.7 Designation of Beneficiary. Each Participant may designate any person or persons (who may be designated concurrently, contingently or successively) as the Participant's Designated Beneficiary, to whom the Participant's benefits are to be paid if the Participant dies before the Participant receives all of Participant's benefits. A beneficiary designation must be made by the

Participant in a method as determined under rules and procedures established by the Department. Each beneficiary designation shall supersede all prior beneficiary designations made by the Participant.

A Participant's designation of his or her Spouse as his or her Beneficiary shall automatically be revoked upon the Participant's divorce from his or her Spouse. A Participant's designation of his or her Domestic Partner as his or her Beneficiary shall automatically be revoked upon the termination or dissolution of the Participant's domestic partnership, as determined under the rules and procedures established by the Department.

If a deceased Participant failed to designate a Beneficiary as provided above, or if all Designated Beneficiaries named on the Participant's last effective beneficiary designation do not survive the Participant, or if the Participant's designation of his or her Spouse or Domestic Partner as his or her Beneficiary is automatically revoked as set forth above, the Participant's benefits shall be distributed as follows:

- (a) to the Participant's Spouse or Domestic Partner, or if neither;
- (b) to the Participant's children (including adopted children), or if none;
- (c) to the Participant's parents, or if none;
- (d) to the Participant's brothers and sisters, or if none;
- (e) to the Participant's probated estate, or if not probated;
- (f) to the Participant's trust, or if none;
- (g) to the Participant's stepchildren, or if none;

- (h) to the Participant's grandchildren, or if none;
- (i) to the Participant's nieces and nephews, or if none;
- (j) to the Participant's great-grandchildren, or if none;
- (k) to the Participant's cousins, or if none;
- (l) in accordance with state law for intestate estates.

Notwithstanding the foregoing provisions of this Section, a Beneficiary may not designate another Beneficiary to receive his or her benefits under the Plan. If a Beneficiary survives the Participant and claims the Participant's Account in accordance with procedures established by the Department but dies before he or she has received his or her complete share of benefits under the Plan, the remaining funds owed to the Beneficiary will be paid to the Beneficiary's trust, or if none exists, the funds will be paid to the Beneficiary's estate. However, if a Beneficiary who is designated by the Participant as one of the Participant's "primary" Beneficiaries survives the Participant but dies before he or she claims the Participant's Account in accordance with procedures established by the Department, the deceased primary Beneficiary's share of the Participant's Account will be paid on a pro rata basis to any remaining primary Beneficiaries, or if none, the Participant's Account will be paid to any "contingent" Beneficiary or Beneficiaries designated by the Participant, or if none, in accordance with the rules described above for distribution in the cases of: 1) a deceased Participant who failed to designate a Beneficiary, 2) when all Designated Beneficiaries named on the Participant's last effective beneficiary designation do not survive the Participant, or 3) when the Participant's designation of his or her Spouse or Domestic Partner as his or her Beneficiary is automatically revoked.

8.8 Missing Participants or Beneficiaries. Each Participant and each Designated Beneficiary must maintain a current address with the Department in accordance with Department rules and procedures. If a Participant dies before the Participant receives the entire balance of the Participant's Account, the Participant's Beneficiary must file any change in the Beneficiary's post office address with the Department. Any communication, statement or notice addressed to a Participant or Beneficiary at the last post office address filed with the Department, or if no address is filed with the Department then, in the case of a Participant, at the Participant's last post office address as shown on the State's records, shall be binding on the Participant and the Participant's Beneficiary for all purposes of the Plan. The State and the Department shall not be required to search for or locate a Participant or Beneficiary. If the Department notifies a Participant or Beneficiary that the Participant or Beneficiary is entitled to a payment and also notifies the Participant or Beneficiary of the provisions of this Section, and the Participant or Beneficiary fails to claim the Participant's or Beneficiary's benefits or make such person's whereabouts known to the Department within three (3) years after the notification, the Participant's or Beneficiary's benefits shall escheat to the state of California, to the extent permitted by applicable law.

8.9 Facility of Payment. When a person entitled to benefits under the Plan is under legal disability, or is incapacitated so as to be unable to manage the person's financial affairs, the Department may pay the benefits to such person's legal representative or the Department may direct the application of such benefits for the benefit of such person. Any payment made in accordance with the preceding sentence shall be a full and complete discharge of any liability for such payment under the Plan.

8.10 Recovery of Overpayments. Effective January 1, 2016, the Department is authorized to recover any amount paid to a Participant or Beneficiary from the Plan in excess of the amount to which such individual was entitled under the Plan, with interest ("Overpayment"), including the right to:

- (a) Seek repayment of the Overpayment from the Participant or Beneficiary;
- (b) Offset the Overpayment against any future distribution from the Plan; and/or
- (c) In the case of a Participant who is eligible for a distribution and has in his or her Plan Account a balance equal to or greater than the amount of the Overpayment, deduct the amount of the Overpayment from the Participant's Plan Account.

SECTION 9

General Provisions

9.1 Interests Not Transferable. Except as otherwise specifically provided for in this Plan, the interests of Participants and their Beneficiaries under the Plan are not in any way subject to their debts or other obligations and, except as may be required by federal or State law, may not be voluntarily or involuntarily sold, transferred, alienated or assigned. Notwithstanding the foregoing, the Plan shall comply with any domestic relations order that, in accordance with procedures established by the Department, is determined to be a QDRO.

9.2 Absence of Guaranty. The Department, the State, and the Trustee do not in any way guarantee the Trust from loss or depreciation. The liability of the Trustee to make any payment under the Plan shall be limited to the assets held by the Trustee that are available for that purpose.

9.3 Employment Rights. The Plan does not constitute a contract of employment, and participation in the Plan shall not give any Employee the right to be retained in the employ of the State, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan.

9.4 Litigation by Participants or other Persons. To the extent permitted by law, if a legal action against the State, the Trustee, or the Department by, or on behalf of, any person results adversely to that person, or if a legal action arises because of conflicting claims to a Participant, Alternate Payee or Beneficiary's benefits, the cost to the State, the Trustee, or the Department of defending the action shall be charged to the extent possible to the sums, if any, that were

involved in the action or were payable to the Participant, Alternate Payee or Beneficiary concerned.

9.5 Waiver of Notice. Any notice required under the Plan may be waived by the person entitled to such notice.

9.6 Controlling Law. To the extent not superseded by the laws of the United States, the laws of California (without regard to its choice of law principles) shall be controlling in all matters relating to the Plan.

9.7 Severability. In case any provision of the Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Plan, and the Plan shall be construed and enforced as if such illegal and invalid provision had never been set forth in the Plan.

9.8 Number. Where the context admits, words in the plural include the singular, and the singular includes the plural.

9.9 Indemnification. To the extent permitted by law, any member or former member of the Department, any person who was, is, or becomes an officer of the State, or any employee of the State to whom the Department or the State has delegated any portion of its responsibilities under the Plan, and each of them, shall be indemnified and saved harmless by the State (to the extent not indemnified or saved harmless under any liability insurance contract or other indemnification arrangement with respect to the Plan) from and against any and all liability to which such person may be subject by reason of any act done or omitted to be done in good faith with respect to the

administration of the Plan, including all expenses reasonably incurred in that person's defense in the event the State fails to provide such defense after having been requested in writing to do so.

9.10 Form of Elections. Notwithstanding anything contained in the Plan to the contrary, any election permitted or required to be made by a Participant or Beneficiary under this Plan shall be made pursuant to any method determined by the Department in its sole discretion.

9.11 No Reversion. The State shall have no right, title or interest in the assets of the Trust. Except to the extent provided in Section 8.8, no part of the assets of the Trust at any time shall revert to or be paid to the State, directly or indirectly.

9.12 Evidence. Evidence required of anyone under the Plan may be made by certificate, affidavit, document or other information that the person acting on it considers pertinent and reliable, and must be signed, made or presented by the proper party or parties.

9.13 Statutory References. Any reference in the Plan to the Code means the Internal Revenue Code of 1986, as amended. Any reference in the Plan to a section of the Code, or to a section of any other Federal law, shall include any comparable section or sections of any future legislation that amends, supplements or supersedes that section.

9.14 Correction of Administrative Errors. The Department will take such steps as it considers necessary and appropriate to remedy any error under the Plan that results from incorrect information received or communicated in good faith, or administrative or operational error.

Such steps may include, but will not be limited to, the following:

- (a) Taking any action required under the Employee Plans Compliance Resolution System (Revenue Procedure 2016-51) or in any subsequent Revenue Procedure or guidance issued by the Internal Revenue Service;
- (b) Reallocating assets held pursuant to the Plan;
- (c) Adjusting the amounts of future payments to Participants, Beneficiaries, or Alternate Payees; and
- (d) Instituting and prosecuting actions to recover benefit payments made in error or on the basis of incorrect or incomplete information.

SECTION 10

Amendment and Termination

10.1 Amendment. While the State expects and intends to continue the Plan, the State reserves the right to amend the Plan by action of the Department. The Department is authorized to cause to be prepared, to approve, and to execute any amendments of the Plan that the Department determines are necessary to comply with applicable law, regulations, and rulings or to reflect rules and procedures developed by the Department. Notwithstanding the foregoing:

- (a) An amendment may not change the duties and liabilities of the Department or the Trustee without the consent of the Department or the Trustee, whichever is applicable;
- (b) An amendment shall not reduce the value of a Participant's nonforfeitable benefits accrued prior to the later of the adoption or the effective date of the amendment; and
- (c) Under no condition shall any amendment result in the return or repayment to the State of any part of the Trust or the income therefrom or result in the distribution of the Trust for the benefit of anyone other than Participants and any other person entitled to benefits under the Plan.

10.2 Termination. Subject to applicable law, the Plan shall terminate as to all Participants on any date specified by the State provided thirty (30) days' advance written notice of the termination is given to the Department and the Participants.

10.3 Nonforfeitability and Distribution on Termination. On termination or partial termination of the Plan, the rights of all affected Participants, Beneficiaries and Alternate Payees to benefits accrued to the date of such termination, after all adjustments then required have been made, shall be nonforfeitable. The Department shall specify the date of such termination or partial termination as a special Accounting Date. As soon as practicable after all adjustments required as of that date have been made to the Accounts of Participants, Beneficiaries and Alternate Payees, the Department shall distribute benefits under the Plan to each such affected Participant, Beneficiary and Alternate Payee. All appropriate provisions of the Plan shall continue to apply until the Accounts of all such Participants, Beneficiaries and Alternate Payees have been distributed under the Plan.

10.4 Notice of Termination. Participants, or Beneficiaries if the Participant is deceased, and Alternate Payees shall be notified of the termination of the Plan within a reasonable time.

10.5 Plan Merger, Consolidation, Etc. In the case of any merger or consolidation with, or transfer of assets or liabilities to, any other Plan, each Participant's benefits (if the Plan terminated immediately after such merger, consolidation or transfer) shall be equal to or greater than the benefits the Participant would have been entitled to receive if the Plan had terminated immediately before the merger, consolidation or transfer.

SECTION 11

The Department

11.1 Plan Administration. The Plan is administered by the Department.

11.2 The Department's General Powers, Rights, and Duties. The Plan is administered by the Department. The Department shall have all the powers necessary and appropriate to discharge its duties under the Plan, which powers shall be exercised in the sole and absolute discretion of the Department, including, but not limited to, the following:

- (a) To construe and interpret the provisions of the Plan and to make factual determinations thereunder, including the power: (i) to determine rights or eligibility under the Plan and the amount of benefits (if any) payable under the Plan, (ii) to remedy ambiguities, inconsistencies or omissions, and (iii) to make such equitable adjustments or corrections as may be necessary to correct errors in a Participant's Account Balance if the Participant has notified the Department of such error within sixty (60) days after the Participant has received the first account statement reflecting such error.
- (b) To adopt such rules of procedure and regulations as in its opinion may be necessary for the proper and efficient administration of the Plan and as are consistent with the Plan and Trust Agreement.
- (c) To enforce the Plan in accordance with the terms of the Plan and the Trust Agreement and in accordance with the rules and regulations the Department has adopted.

- (d) To direct the Trustee with respect to payments or distributions from the Trust in accordance with the provisions of the Plan.
- (e) To furnish the State with such information as may be required by it for tax or other purposes in connection with the Plan.
- (f) To employ agents, attorneys, accountants, actuaries or other persons (who also may be employed by the State) and to allocate or delegate to them such powers, rights and duties as the Department may consider necessary or advisable to properly carry out administration of the Plan, provided that such allocation or delegation and the acceptance thereof by such agents, attorneys, accountants, actuaries or other persons, shall be in writing.
- (g) The Department reserves the right to charge reasonable fees to Participants for the administration of the Plan.

11.3 Information Required by the Department. Each person entitled to benefits under the Plan shall furnish the Department with such documents, evidence, data or information as the Department considers necessary or desirable for the purpose of administering the Plan. The State shall furnish the Department with such data and information as the Department may deem necessary or desirable in order to administer the Plan. The records of the State as to an Eligible Employee's or a Participant's period of employment, termination of employment and the reason therefore, Leaves of Absence, reemployment, and compensation shall be conclusive on all persons unless determined by the Department to be incorrect.

11.4 Review of Benefit Determinations. The Department shall provide notice in writing to any Participant, Beneficiary, or Alternate Payee whose claim for benefits under the Plan is denied, and the Department shall afford such Participant, Beneficiary, or Alternate Payee a review of its decision if requested.

11.5 Department's Decision Final. Subject to applicable law, any interpretation of the provisions of the Plan and any decision on any matter within the discretion of the Department made by the Department in good faith shall be binding on all persons. A misstatement or other mistake of fact shall be corrected when it becomes known, and the Department shall make such adjustment on account thereof as it considers equitable and practicable.

11.6 Notice. Any notice or document required to be given to or filed with the Department shall be properly given or filed in a manner determined by the Department.

SUPPLEMENT A

PROVISIONS APPLICABLE TO PART-TIME, SEASONAL AND TEMPORARY EMPLOYEES

A-1. Introduction. In response to the Federal Omnibus Budget Reconciliation Act of 1990, the State established the Part-time, Seasonal, Temporary Employees Retirement Program (the 'PST Program') for certain part-time, seasonal, and temporary employees of the State who are not members of Social Security or another retirement program maintained by the State. The purpose of this Supplement A is to restate the PST Program in the form of a Supplement to the Plan effective as of January 1, 1997. On and after January 1, 1997, the terms of the Plan as modified by this Supplement A supersede the provisions of the PST Program.

A-2. Eligibility. Notwithstanding Sections 2.17 and 3.1 of the Plan, State employees hired after August 1, 1991 who are not covered by Social Security, who are presently excluded from California Public Employees' Retirement System ("CalPERS") because of time base or length of appointment shall be Participants in the PST Program ("Supplement A Participants").

A-3. Ineligibility. Notwithstanding the foregoing Section A-2, the following State employees are not eligible Participants in the PST Program:

- (a) Full-time students regularly attending classes in the institutions in which they are working.
- (b) Employees hired temporarily to handle such disaster emergencies as fires, floods, storms, earthquakes, etc.

- (c) Election officials and election workers paid less than the annual threshold established under federal law for the applicable calendar year.
- (d) Persons hired through programs to relieve unemployment such as summer youth programs.
- (e) Persons who have retired from the State or from other public employment which was covered by CalPERS, Judges' Retirement System (JRS), Legislators' Retirement System (LRS), and/or California State Teachers' Retirement System (CalSTRS).
- (f) Individuals paid for services performed in a hospital, home, or other institution in which they are housed.
- (g) Authorized, non-resident aliens with F or J visas or M teaching visas.
- (h) Employees in multiple positions with the State who are covered by CalPERS, JRS, LRS, or CalSTRS for at least one of such positions that is full-time.
- (i) Casual employees who have benefits from the Health and Welfare Fund of their union.
- (j) Independent contractors rendering service to the State who make Social Security payments on the wages received from a State contract and who request a coverage exemption by submitting a copy of the prior year's SE form, along with a letter to the Department stating that he or she intends to pay Social Security taxes on the income received from his or her State employment.

A-4. Contributions. Notwithstanding Section 4 of the Plan to the contrary, 7.5% of a Supplement A Participant's Compensation (as defined in Section 2.8) shall be automatically withheld from the Supplement A Participant's gross pay and contributed to the Plan on the Supplement A Participant's behalf by the State to the Trustee in cash as soon as practicable. A Supplement A Participant shall be fully vested in his or her Account under the Plan and at all times.

A-5. Investment of Contributions. In lieu of the Investment Alternatives available to Plan Participants under Section 5, the Department, in its sole discretion, shall invest Supplement A Participants' contributions in one or more investment vehicles selected by the Department.

A-6. Distribution Options. Notwithstanding Section 8.2 of the Plan and subject to the conditions set forth below, distribution of the net credit balances in a Supplement A Participant's Account prior to the death of the Supplement A Participant shall be made to or for the benefit of the Supplement A Participant by any of the following methods:

- (a) By payment in a lump sum; or
- (b) For Supplement A Participants who have reached their Required Beginning Date only, in periodic payments payable at least annually for a period which extends no longer than the life expectancy of the Supplement A Participant.

In the case of the death of the Supplement A Participant, distribution of the net credit balances of the Supplement A Participant's Account shall be made in accordance with Section 8.4 of the Plan.

A-7. Timing of Distributions. Notwithstanding the provisions of Section 8.1 of the Plan, the net credit balances of a Supplement A Participant's Account shall not be made available to Supplement A Participants or their Beneficiaries earlier than the earliest of the calendar year in which the Supplement A Participant attains the age of seventy and one-half (70½); or, ninety (90) days from the date of a Supplement A Participant's severance from employment. For purposes of this Section, a Supplement A Participant will be deemed to have had a severance from employment ninety (90) days from the last contribution posting with no future appointments or expectation of employment by the respective State employer. Notwithstanding any other provision of this Section, all distributions shall begin no later than the Required Beginning Date. The "Required Beginning Date" for a Supplement A Participant shall be the later of the April 1 of the calendar year following the calendar year in which the Supplement A Participant attains age seventy and one-half (70½) or April 1 of the calendar year following the calendar year in which the Supplement A Participant retires.

A-8. Automatic Transfer to the Plan. Upon becoming eligible for benefits under the California Public Employees' Retirement System, the net balance credited to a Supplement A Participant's Account will, as soon as administratively practicable, be transferred to or recharacterized as a regular Plan Account established for such Supplement A Participant. The Department, in its sole discretion, shall initially invest Supplement A Participant's funds in one or more permissible investment vehicles selected by the Department and the Participant will be eligible to elect investments under Section 5 of the Plan. After the transfer/recharacterization, such Supplement A Participant shall be a regular Participant subject to all provisions of the Plan applicable to Participants who are not Supplement A Participants and his or her Account shall be subject to all of the provisions of the Plan applicable to Accounts for Participants who are not Supplement A

Participants.

A-9. Involuntary Lump Sum Distribution and Escheatment. Notwithstanding Sections A-7 and A-8, if the value of a Supplement A Participant's Account does not exceed One Thousand Dollars (\$1,000.00), and no additional amounts may be deferred under the Plan with respect to the Supplement A Participant, the Department may distribute to the Supplement A Participant a lump sum payable after the Supplement A Participant's severance from employment. A Supplement A Participant's Account is subject to escheatment pursuant to Section 8.8 of the Plan.