

STATE OF CALIFORNIA
SAVINGS PLUS PROGRAM
ALTERNATE RETIREMENT PROGRAM
Restatement Effective January 1, 2016

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**STATE OF CALIFORNIA
SAVINGS PLUS PROGRAM
ALTERNATE RETIREMENT PROGRAM**

Restatement Effective January 1, 2016

SECTION 1

Background of Plan

1.1 Introduction. The State of California Department of Human Resources (formerly Department of Personnel Administration), pursuant to section 19999.3 of the California Government Code, established this State of California Savings Plus Program Alternate Retirement Program (the "Plan"), effective August 1, 2004, for the purpose of attracting and retaining certain employees of the State of California. The Plan was most recently restated effective July 1, 2010. The Plan is again hereby restated in its entirety, effective January 1, 2016 (except as otherwise stated herein). The Plan is a defined contribution, profit sharing plan¹, intended to meet the applicable requirements of section 401(a) of the Internal Revenue Code of 1986, as amended. Capitalized terms used in the Plan are defined in section 2.

1.2 Plan Supplements. 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.

1.3 Frozen Plan. Pursuant to section 19999.3(g) and section 20281.5(f) of the California Government Code, participation in the Plan is frozen effective July 1, 2013 to employees hired on or after the effective date of the freeze. Employees who participated in the Plan prior to July 1, 2013 will continue to participate in accordance with the terms of the Plan.

¹ As set forth in section 401(a)(27) of the Internal Revenue Code.

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 “Account” means the account established for a Participant to reflect his or her interest under the Plan.

2.2 “Account Access Date” means the first day of the 47th month after the month in which a Participant first qualifies for CalPERS membership.

2.3 “Account Closing Date” means the last day of the 49th month after the month in which a Participant first qualifies for CalPERS membership.

2.4 “Accounting Date” means each day the value of an Investment Alternative is adjusted for Contributions, distributions, transfers, earnings, gains, or losses.

2.5 “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” means, immediately after a Participant’s death, the first of the following:

- (a) the Participant’s Spouse or Domestic Partner; or, in either case, if none;
- (b) the Participant’s children (including adopted children), or if none;
- (c) the Participant’s parents, or if none;

- (d) the Participant's brothers and sisters, or if none;
- (e) the Participant's probated estate, or if not probated;
- (f) the Participant's trust, or if none;
- (g) the Participant's stepchildren, or if none;
- (h) the Participant's grandchildren, or if none;
- (i) the Participant's nieces and nephews, or if none;
- (j) the Participant's great-grandchildren, or if none;
- (k) the Participant's cousins, or if none;
- (l) in accordance with state law for intestate estates.

2.7 "CalPERS" means the California Public Employees' Retirement System.

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

2.9 "Compensation" means, except as otherwise specified in the Plan, 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. In no event will the amount of a Participant's Compensation taken into account for purposes of the Plan for any Plan Year exceed \$265,000 (as that limitation is adjusted from time to time by the Secretary of the Treasury pursuant to section 401(a)(17) of the Code).

- 2.10 “Contributions” means contributions made to the Plan pursuant to section 4.
- 2.11 “Department” means the State of California Department of Human Resources (formerly Department of Personnel Administration), Savings Plus Program.
- 2.12 “Direct Rollover” means an Eligible Rollover Distribution paid directly from the Plan to an Eligible Retirement Plan for the benefit of an Eligible Distributee as described in section 401(a)(31) of the Code.
- 2.13 “Director” means the Director of the State of California Department of Human Resources.
- 2.14 “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 457(b) Plan” means 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.
- 2.16 “Eligible Distributee” means a Participant.
- 2.17 “Eligible Employee” means any employee on the Payroll of the State who (i) is first hired by the State on or after August 11, 2004 but prior to July 1, 2013; (ii) is eligible to participate in CalPERS under either the State Miscellaneous or the State Industrial classification; and (iii) meets the definition of “State Employee” under section 19815 of the California Government Code. A person’s status as Eligible Employee will be determined in accordance with the following requirements:

- (a) An individual's status as an Eligible Employee shall be determined by the individual's employment status.
- (b) Notwithstanding anything to the contrary, Eligible Employee does not include any of the following:
- (i) persons eligible to participate in CalPERS under the State Safety, State Patrol, or State Peace Officer/Firefighter category;
 - (ii) persons who have accrued service credit for unpaid retirement benefits under CalPERS;
 - (iii) members of a CalPERS reciprocal retirement system within the prior six 6) months;
 - (iv) members of the following: Judges' Retirement System (including the Judges' Retirement System II Law), Legislators' Retirement System, California State Teachers' Retirement System, or the University of California Retirement Plan;
 - (v) employees of the California State University, the California legislative, or judicial branch of government;
 - (vi) persons employed as California Highway Patrol cadets;
 - (vii) non-resident aliens who are employed on an F-1, J-1, M-1, or Q-1 visa, and who are not coordinated with Social Security;
 - (viii) persons who are part-time California National Guard members who elected CalPERS membership;

- (ix) part-time employees;
- (x) seasonal employees;
- (xi) temporary employees;
- (xii) retired annuitants (employees who are employed on a temporary basis and are receiving a retirement allowance from CalPERS);
- (xiii) leased employees;
- (xiv) contract employees;
- (xv) independent contractors; or
- (xvi) 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).

(c) Only persons 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 will not be eligible to participate in the Plan during that period, even if that individual is determined, retroactively, to have been a common law employee during all or any portion of that period.

2.18 “Eligible Retirement Plan” means any of the following: (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; (v) an Eligible 457(b) Plan; and (vi) an annuity contract described in section 403(b) of the Code. For purposes of this section 2.18, an individual retirement account or an individual retirement annuity includes a Roth IRA as defined in section 408A of the Code.

2.19 “Eligible Rollover Distribution” means any distribution under the Plan to an Eligible Distributee other than: (i) a distribution required to meet the minimum distribution requirements of section 401(a)(9) of the Code; or (ii) a distribution excluded from the definition of “Eligible Rollover Distribution” under the Code, applicable Income Tax Regulations, or guidance from the Treasury Department. Eligible Rollover Distribution does not include amounts transferred pursuant to section 9.3(a) or (c).

2.20 “Investment Alternatives” means the investment fund or funds designated by the Department for the investment of Participants’ Accounts.

2.21 “Leave of Absence” 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.

2.22 “Participant” means an Eligible Employee who participates in the Plan as provided in section 3.

2.23 “Payroll” means 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).

- 2.24 “Plan” means this State of California Savings Plus Program Alternate Retirement Program, as amended and restated effective January 1, 2016.
- 2.25 “Plan Year” means the twelve-month period beginning each January 1 and ending December 31.
- 2.26 “QDRO” means a qualified domestic relations order as defined in section 414(p) of the Code, as it applies to a governmental plan.
- 2.27 “Settlement Date” means the date of the Participant’s severance from State employment.
- 2.28 “Spouse” means a person to whom a Participant is legally married as listed on a valid marriage certificate or death certificate.
- 2.29 “State” means the State of California.
- 2.30 “Thrift Plan” means the State of California Savings Plus Program Thrift Plan, a 401(k) plan maintained by the Department.
- 2.31 “Trust” means the trust account established pursuant to the Trust Agreement.
- 2.32 “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.
- 2.33 “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, an Eligible Employee will automatically become a Participant in the Plan on the later of (i) his or her date of hire, or (ii) the date he or she becomes an Eligible Employee.
- 3.2 Mandatory Participation. An Eligible Employee's participation in this Plan is mandatory. No Eligible Employee may elect not to participate in the Plan.
- 3.3 Period of Participation. A person who becomes a Participant will continue as a Participant until the earlier of the Account Closing Date, or the date on which all assets in the Participant's Account have been distributed or transferred.
- 3.4 Leave of Absence. A Leave of Absence will not interrupt continuity of service or an employee's status as a Participant in the Plan.
- 3.5 Qualified Military Service. Notwithstanding any provision of the Plan to the contrary, contributions, benefits, and service credit with respect to qualified military service will be provided in accordance with section 414(u) of the Code.
- 3.6 Commencement or Resumption of Participation.
- (a) If a Participant terminates employment with the State and is subsequently reemployed as an Eligible Employee by the State, the Participant will again be eligible to participate in the Plan as of the first day of the Participant's reemployment with the State in accordance with section 3.3.

- (b) If a Participant terminates employment with the State and is subsequently reemployed by the State before the Account Closing Date, but after all assets in the Participant's Account have been distributed, he or she will not again become a Participant unless section 3.6(e) applies.
- (c) If a Participant terminates employment with the State on or before the Account Closing Date and is subsequently reemployed by the State after the Account Closing Date, he or she will not again become a Participant.
- (d) If an employee who is not a Participant terminates employment with the State and is subsequently reemployed by the State, he or she will be eligible to become a Participant in the Plan in accordance with section 3.1.
- (e) If a Participant terminates employment with the State and is subsequently reemployed by the State within the 24-month period that begins with the date upon which he or she first qualified for CalPERS membership, the Participant will again be eligible to participate in the Plan as of the first day of the Participant's reemployment as an Eligible Employee regardless of whether all assets in the Participant's Account have been distributed as of the date of reemployment. Such participation shall end on the close of business on the earlier of the Account Closing Date or the date on which all assets in the Participant's Account have been distributed or transferred, including all assets accrued subsequent to the Participant's reemployment date.

SECTION 4

Contributions

4.1 In General. All Contributions under the Plan will be made as “pick-up” Contributions as described under section 4.2. Contributions will be withheld from each Participant’s Compensation and contributed to the Plan on the Participant’s behalf by the State to the Trustee in cash as soon as practicable. As of each Accounting Date, each Participant’s Contributions (if any) since the preceding Accounting Date will be credited to the Participant’s Account. No Contributions will be made to or under this Plan except in accordance with this section 4.

4.2 Pick-Up Contributions.

- (a) Beginning on the first day on which an Eligible Employee becomes a Participant, and ending on the two-year anniversary of that date, Contributions will automatically be withheld from the Participant’s Compensation and allocated to his or her Account under this Plan as an employer “pick-up” within the meaning of section 414(h)(2) of the Code.
- (b) For each month, the amount of such Contributions will be dependent on whether the Eligible Employee is an excluded, exempt, or represented employee, and, if applicable, the terms of any agreement covering a bargaining unit of which the Eligible Employee is a member. No Contributions will be made for any month in which the Participant’s Compensation does not exceed \$513. If the Participant’s Compensation in a month exceeds \$513, Contributions apply only to amounts in excess of \$513.
- (c) Contributions will be made in accordance with the rules governing pick-ups under section 414(h)(2) of the Code, including the following:

(i) They will be paid by the State directly to the Plan in lieu of deferrals by the Participant.

(ii) The Participant may not choose to directly receive the amounts deducted from his or her Compensation instead of having them paid by the State to the Plan.

SECTION 5

Investment of Accounts

All amounts held in Accounts will be invested in one or more Investment Alternatives designated by the Department in its sole discretion. The Department, in its sole discretion, may designate or establish new Investment Alternatives or eliminate existing Investment Alternatives.

SECTION 6

Accounting

6.1 Accounts. The Department shall maintain an Account in the name of each Participant.

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

6.3 Adjustment of Account in Investment Alternatives. Accounts invested in the Investment Alternatives will be maintained on the basis of dollar values or units that may be converted to dollar values. Pursuant to rules established by the Department, assets in an Investment Alternative will be adjusted as of each Accounting Date to reflect any distributions, transfers, 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. As soon as administratively practicable, any amount of the Participant's Account assigned to an Alternate Payee will be transferred in a trust-to-trust transfer to the Thrift Plan. The Department will establish a separate account under the Thrift Plan on behalf of the Alternate Payee for this purpose and the QDRO ordering a benefit payment to such Alternate Payee under this Plan will be deemed a QDRO ordering such benefit payment from the Thrift Plan. The Alternate Payee's account under the Thrift Plan will be administered in accordance with the Thrift Plan and the applicable procedures adopted by the Department.

6.5 Vesting. All amounts in Accounts under the Plan will be fully and immediately 100% vested. Each Participant's Account will be fully vested upon his or her attainment of age 55, which is the "normal retirement age" for purposes of the Plan. This paragraph is included in order to comply with IRS Revenue Ruling 66-11. Nothing in this paragraph is intended to contradict the first sentence of this section 6.5, which provides for full vesting of Participants' Accounts at all times. In addition, "normal retirement age" will be relevant for this paragraph only, and is not intended to have any force or effect for any other purpose.

SECTION 7

Trust

7.1 Trust Agreement. All amounts of compensation deferred under the Plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property or rights will be held in the Trust for the exclusive benefit of Participants, Beneficiaries, and Alternate Payees under the Plan. Amounts contributed under the Plan will be held and invested, until distributed, by the Trustee. The Trustee shall act in accordance with the terms of the Trust Agreement. The Trust Agreement implements the Trust and forms a part of the Plan. The provisions of and benefits under the Plan are subject to the terms and provisions of the Trust Agreement.

7.2 Group Trust. The 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 section 401(a) of the Code, individual retirement accounts that are exempt under section 408(e) of the Code, and eligible governmental plans that meets the requirements of section 457(b) of the Code. For this purpose, a trust includes a custodial account that is treated as a trust under section 401(f) of the Code or under section 457(g)(3) of the Code. For purposes of valuation, the value of the interest maintained by the Plan in any such group trust will be the fair market value of the portion of the group trust held for the Plan, determined in accordance with generally recognized valuation procedures.

SECTION 8

Contribution Limitation

8.1 Contribution Limitation. The “Annual Addition” to a Participant’s Account for any Limitation Year is the total Contributions allocated to a Participant’s Account for that Limitation Year. For purposes of the Plan, the “Limitation Year” is the Plan Year. For each Limitation Year, the Annual Addition to a Participant’s Account may not exceed the lesser of the dollar amount in Code section 415(c)(1)(A), as adjusted by the Secretary of the Treasury from time to time, or 100% of the Participant’s section 415 Compensation during that Limitation Year.

(a) Section 415 Compensation means compensation as defined in section 415(c)(3) of the Code, which is all salary, wages and amounts received for services rendered to the State to the extent includable in gross income plus elective deferrals under sections 402(g), 125, 132(f), 403(b), and 457(b) of the Code. Section 415 Compensation for any Limitation Year also includes the Post-Severance Payments defined below, provided 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 Limitation Year during which the Participant's severance from employment occurs.

(b) A “Post-Severance Payment” for purposes of this section 8.1 means:

(i) 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

(ii) payments for unused accrued bona fide sick (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.

(c) In no event shall the amount of a Participant's section 415 Compensation taken into account for any Limitation Year exceed the dollar limit established under section 401(a)(17)(B) of the Code, as adjusted by the Secretary of the Treasury from time to time.

8.2 Combining of Plans. In applying the limitation set forth in section 8.1, reference to the Plan means this Plan, the Thrift Plan and all other defined contribution plans qualified under section 401(a) of the Code (whether or not terminated) that are maintained by the State.

8.3 Correction of Excess Annual Addition. If it is anticipated that a Participant's Annual Addition for a Limitation Year may exceed the limitation set forth in section 8.1, "Normal Deferrals" (as defined in section 2 of the Thrift Plan) to the Participant's account under the Thrift Plan may be suspended.

SECTION 9

Distribution or Transfer of Accounts

9.1 Timing.

(a) Assets in a Participant's Account may not be distributed, transferred or otherwise removed from the Account before the later of (i) the Account Access Date, or (ii) the day after the two-year anniversary of the most recent date on which Contributions were allocated to the Participant's Account; provided, however, that distributions may be made earlier as provided under sections 9.2, 9.4 or 9.6, or pursuant to the Participant's death.

(b) If a Participant dies, the Department will establish a separate account under the Thrift Plan on behalf of the Participant's Beneficiary. As soon as administratively practicable after the Participant's death, the Participant's Account balance will be transferred in a trust-to-trust transfer to the Beneficiary's account under the Thrift Plan and administered in accordance with the Thrift Plan and applicable procedures adopted by the Department. No benefits on behalf of any Beneficiary will be distributed to a Beneficiary from this Plan.

(c) Distribution or transfer of a Participant's Account will be made within a reasonable time after the Participant has elected a transfer or distribution (as applicable) and the value of the Participant's Account has been determined.

9.2 Distributions Following Settlement Date.

(a) Subject to the conditions set forth in this section and in accordance with procedures established by the Department, each Participant whose Settlement Date has

occurred and who has not been reemployed by the State may elect distribution of his or her Account balance in the form of a lump-sum distribution or in the form of a Direct Rollover in accordance with section 9.5. Any distribution election made by a Participant under this section 9 is irrevocable.

(b) If a Participant whose Settlement Date has occurred fails to elect a distribution of his or her Account in accordance with section 9.2(a) by the Account Access Date, the Account of the Participant will be distributed or transferred in accordance with Section 9.3.

9.3 Participant Election. Subject to section 9.1, during the period beginning on the Account Access Date through and including the Account Closing Date, the Participant may elect one of the options set forth under the following (a), (b), or (c), and the Account will be distributed or transferred after the Account Closing Date in accordance with the Participant's election:

(a) Non-taxable transfer of the Account balance to CalPERS, if determined eligible by CalPERS, for the purpose of purchasing service credits under CalPERS for the period of the Participant's employment with the State during which he or she participated in the Plan.

(b) Lump-sum distribution of the Account balance.

(c) Non-taxable transfer of the Account balance to the Participant's account under the Thrift Plan. If the Participant does not have an account under the Thrift Plan and is still actively employed with the State, one will be established for the Participant for this purpose.

If the Participant does not make a valid election of one of the above options and is still actively employed with the State, the Department will automatically transfer the Account balance to the Participant's account under the Thrift Plan, provided that if the Participant does not have an account under the Thrift Plan, the Department will establish a new account under that plan on the Participant's behalf to which the transfer will be allocated. If the Participant has severed employment, the Account balance will be transferred to the Thrift Plan, if the Participant has an account with assets under the Thrift Plan. If not, the funds will remain in the Plan and the Account will be assessed a monthly administrative fee until the Account is closed, escheated to the State, or paid in a mandatory distribution to the Participant. If a Participant's Account balance is \$1,000 or less, the entire Account balance will be paid to the Participant as a mandatory distribution. A Participant's benefits that remain in the Plan may be subject to escheat in accordance with section 9.7.

9.4 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 9.4 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 will apply. A Participant's Account will be distributed no later than April 1 of the calendar year following the later of (i) the calendar year in which the Participant attains 70 ½ or (ii) the calendar year in which the Participant retires.

9.5 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 (1) 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. Participant 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 2.19 of the Plan, Calendar Year RMDs and Extended Calendar Year RMDs, solely for purposes of applying the direct rollover provisions of section 9.6 of the Plan, will be treated as Eligible Rollover Distributions.”

9.6 Direct Rollovers. Certain individuals who 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.
- (b) Eligible Retirement Plan. Direct Rollovers of Eligible Rollover Distributions may be made to Eligible Retirement Plans.
- (c) 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 rules and procedures it deems necessary to provide for distributions by means of a Direct Rollover.

9.7 Distributions to Alternate Payees. As set forth in section 6.4, any amount of the Participant's Account assigned to an Alternate Payee will be transferred in a trust-to-trust transfer to the Thrift Plan and a separate account will be established under the Thrift Plan on behalf of the Alternate Payee and administered in accordance with procedures adopted by the Department for that purpose. Thereafter, distribution to the Alternate Payee will be made in accordance with applicable provisions of the Thrift Plan. No benefits assigned to any Alternate Payee will be distributed to an Alternate Payee from this Plan.

9.8 Missing Participants or Beneficiaries. Each Participant and each 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 benefits of the Participant or Beneficiary shall escheat to the State, to the extent permitted by applicable law.

9.9 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.

9.10 Recovery of Overpayments. 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 10

General Provisions

10.1 Interests Not Transferable. Except as provided in section 9.3(a) and (c), the interests of Participants and 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.

10.2 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.

10.3 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, or any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan.

10.4 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.

10.5 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.

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

10.7 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) are controlling in all matters relating to the Plan.

10.8 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.

10.9 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.

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

10.11 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, 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.

10.12 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.

10.13 No Reversion. The State will have no right, title or interest in the assets of the Trust. Except as required by section 9.7, no part of the assets of the Trust at any time will revert to or be paid to the State, directly or indirectly.

10.14 Plan Expenses. The reasonable cost of administering the Plan shall be paid by the Trust through an assessment of fees to the department in which the Participant is employed unless paid by the Department

10.15 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 2013-12) 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 11

Amendment and Termination

11.1 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 to 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 persons entitled to benefits under the Plan.

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

11.3 Nonforfeitability and Distribution on Termination. On termination or partial termination of the Plan, the rights of all affected Participants 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, the Department shall distribute benefits under the Plan to each affected Participant. All appropriate provisions of the Plan shall continue to apply until all benefits have been distributed under the Plan.

11.4 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.

11.5 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 12

The Department

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

12.2 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 to: (i) determine rights or eligibility under the Plan, and the amount of benefits (if any) payable under the Plan; (ii) remedy ambiguities, inconsistencies or omissions; and (iii) 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 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 the 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.

12.3 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.

12.4 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.

12.5 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.

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 Alternate Retirement Program, effective January 1, 2016.

Dated this 23rd day of December, 2016.

STATE OF CALIFORNIA DEPARTMENT OF
HUMAN RESOURCES

/s/ Richard Gillihan
by: Richard Gillihan
Director