



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

# Bond Index Fund

as of 3/31/19

## Objective

The Fund is an index fund that seeks investment results that correspond generally to the price and yield performance, before fees and expenses of its underlying index.

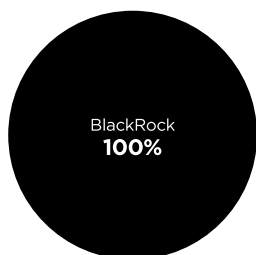
## Strategy

The Fund shall be invested and reinvested primarily in a portfolio of debt securities with the objective of approximating as closely as practicable the total rate of return of the market for debt securities as defined by the Bloomberg Barclays U.S. Aggregate Bond Index. BlackRock Financial Management, Inc. uses a “passive” or indexing approach to try to achieve the Fund’s investment objective. Unlike many funds, the Fund does not try to outperform the index it seeks to track and does not seek temporary defensive positions when markets decline or appear overvalued. BlackRock Financial Management, Inc. uses a representative sampling indexing strategy to manage the Fund. “Representative sampling” is an indexing strategy that involves investing in a representative sample of securities that collectively has an investment profile similar to the Underlying Index. The securities selected are expected to have, in the aggregate, investment characteristics (based on factors such as market capitalization and industry weightings), fundamental characteristics (such as return variability and yield) and liquidity measures similar to those of the underlying index. The Fund may or may not hold all of the securities that are included in the underlying index (see Additional Disclosures for definition).

## Investment Managers

Investment Option Inception Date: 07-31-2007

BlackRock Financial Management Inc  
 400 Howard St.  
 San Francisco CA 94105  
 Team Managed  
[www.blackrock.com](http://www.blackrock.com)



Manager Allocation

## Estimated Fees

No transaction fees are charged. Instead, the Fund indirectly incurs management fees that are charged by the underlying Investment Managers. The estimated expense ratio consists of operating expenses, including management fees and nominal trustee services fees, and an administrative expense reimbursement of five basis points. These fees are netted out of the performance of the Fund.

	Gross expense	Net expense
Expenses per \$1000 investment	\$0.80	\$0.80
Total expense ratio	0.08%	0.08%
Operating expenses	0.03%	0.03%
Administrative expenses	0.05%	0.05%

## Fund Performance

	Qtr.	Year to Date	1 Year	3 Year	5 Year	Since Inception
Bond Index Fund (net of fees)	2.98%	2.98%	4.45%	1.89%	2.62%	3.95%
Bloomberg Barclays U.S. Aggregate Bond Index	2.94%	2.94%	4.48%	2.03%	2.74%	N/A

*The results shown represent past performance and do not represent expected future performance or experience. Past performance does not guarantee future results. Investment return and principal value of an investment will fluctuate so that an investor's units, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the data quoted. Performance data current to the most recent month-end may be obtained by visiting [savingsplusnow.com](http://savingsplusnow.com).*

The index returns do not include the deduction of investment management fees, expense reimbursement and custodial fees, which would lower a participant's return.

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## Important Information About Risk

Investment in the Funds involves a certain amount of risk and is only suitable for individuals who fully understand and are capable of bearing the risks of an investment in the Funds. The following is a general discussion of certain risks and merits of different types of investments which the Fund may make.

### Risk of Investment Loss - Generally.

No warranty is given by the Trustee or Investment Adviser as to the performance or profitability of any Fund, and there is no guarantee that any Fund will achieve its investment objective. A Fund may suffer loss of principal, and income, if any, will fluctuate. The value of a Fund's investments will be affected by a variety of factors, including, but not limited to, economic and political developments, interest rates, issuer-specific events, market conditions and sector positions. Investment in a Fund is not a deposit or obligation of the Trustee or of any other bank and is not insured or guaranteed by the Federal Deposit Insurance Corporation, Securities Investor Protection Corporation, or any other government agency or instrumentality.

### Risks of Investing in Fixed Income Securities.

To the extent that a Fund invests in fixed income securities, it will be subject to the risks associated with investments in fixed income securities. These risks include interest rate risk, credit risk and call/extension risk. In general, interest rate risk involves the risk that when interest rates decline, the market value of fixed income securities tends to increase (although many Mortgage-Backed Securities will have less potential than other debt securities for capital appreciation during periods of declining rates). Conversely, when interest rates increase, the market value of fixed income securities tends to decline. Credit risk involves the risk that the issuer could default on its obligations, and a Fund will not recover its investment. For example, increases in interest rates and/or a weakening of economic conditions caused by another recession or otherwise could adversely impact the ability of homeowners to repay mortgages or the value of the housing securing these mortgages. Call risk and extension risk are normally present in Mortgage-Backed Securities and asset-backed securities. For example, homeowners have the option to prepay their mortgages. Therefore, the duration of a security backed by home mortgages can either shorten (call risk) or lengthen (extension risk). In general, if interest rates on new mortgage loans fall sufficiently below the interest rates on existing outstanding mortgage loans, the rate of prepayment would be expected to increase. Conversely, if mortgage loan interest rates rise above the interest rates on existing outstanding mortgage loans, the rate of prepayment would be expected to decrease. In either case, a change in the prepayment rate can result in losses to Participating Trusts.

### Interest Rate Changes.

Debt and money market securities have varying levels of sensitivity to changes in interest rates. In general, the price of a debt or money market security can fall when interest rates rise and can rise when interest rates fall. Securities with longer maturities, mortgage securities, and the securities of issuers in the financial services sector can be more sensitive to interest rate changes. In other words, the longer the maturity of a security, the greater the impact a change in interest rates could have on the security's price. In addition, short-term and long-term interest rates do not necessarily move in the same

amount or the same direction. Short-term securities tend to react to changes in short-term interest rates, and long-term securities tend to react to changes in long-term interest rates.

### Risks of Investing in Real Estate.

Real estate, like many types of long-term investments, historically has experienced significant fluctuations and cycles in value, and specific market conditions may result in occasional or permanent reductions in the value of real property interests. The marketability and value of real property interests depend on many factors, including without limitation: changes in general or local economic conditions; changes in supply of or demand for competing properties in an area; changes in interest rates; the promulgation and enforcement of government regulations relating to land-use and zoning restrictions, environmental protection and occupational safety; unavailability of mortgage funds which may render the sale of a property difficult; the financial condition of tenants, buyers and sellers of properties; changes in real estate tax rates and other operating expenses; the imposition of rent controls; energy and supply shortages; and various uninsured or uninsurable risks.

### Risks of Investing in REITs.

Income-producing real estate is often owned and operated by real estate investment trusts ("REITs"). Qualification and treatment as a REIT will depend on a Fund's ability to meet, on a continuing basis, various tests including tests relating to its income, assets, distributions, diversity of ownership, as well as other qualification requirements imposed on REITs. If a REIT fails to qualify as a REIT for any particular year, it would be taxed at U.S. federal income tax rates applicable to corporations on all of its income, whether or not distributed to its shareholders, and this would substantially reduce the amount of cash otherwise available to be distributed to the shareholders. In addition, unless entitled to relief under specific statutory provisions, the REIT also will be disqualified from reelecting taxation as a REIT for the four taxable years following the year during which the REIT qualification was lost. If the requirements for taxation as a REIT are met, a REIT is allowed a deduction for dividends paid to its shareholders, substantially eliminating the "double taxation" at both the corporate and shareholder levels that general results from the use of corporations. However, a REIT will still be subject to tax in certain circumstances even if it qualifies as a REIT, including without limitation: a tax on any taxable income or capital gain not distributed to its shareholders, and an additional 4% excise tax if it fails to make certain distributions for a calendar year; a tax of 100% on net income from any "prohibited transaction," which is a sale of property held primarily for sale to customers in the ordinary course of a trade or business, unless the property is held for at least two years and certain other requirements are satisfied; and the corporate "alternative minimum tax."

### Risks of Foreign Investing.

Investing in the securities of foreign issuers involves risks that are not typically associated with investing in U.S. dollar-denominated securities of domestic issuers. These investments may be adversely affected by changes in currency rates, changes in foreign or U.S. laws or restrictions applicable to such investments and in exchange control regulations (e.g., currency blockage). A decline in the exchange rate of the currency (e.g., weakening of the currency against the U.S. dollar) in which a security is quoted or denominated relative to the U.S. dollar would reduce the value of the security. In addition, currency in

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which a Fund receives dividends, interest or other payments declines in value against the U.S. dollar before such income is distributed as dividends to shareholders or converted to U.S. dollars, the Fund may have to sell portfolio securities to obtain sufficient cash to pay such dividends. Brokerage commissions, custodial services and other costs relating to investment in international securities markets are generally more expensive than in the United States. In addition, clearance and settlement procedures may be different in foreign countries and, in certain markets, such procedures have on occasion been unable to keep pace with the volume of securities transactions, thus making it difficult to conduct such transactions.

Foreign issuers are not subject to the uniform accounting, auditing and financial reporting standards, practices and disclosure requirements that are applicable to U.S. issuers. There may be less publicly available information about a foreign issuer than about a U.S. issuer. In addition, there is generally less government regulation of foreign markets, companies and securities dealers than in the U.S. and the legal remedies for investors may be more limited than the remedies available in the U.S. Foreign securities markets may have substantially less volume than U.S. securities markets and securities of many foreign issuers are less liquid and subject to more price volatility than securities of comparable domestic issuers. The securities markets of certain countries may also be marked by high concentration of market capitalization and trading volume in a small number of issuers representing a limited number of industries, as well as high concentration of ownership of securities by a limited number of investors.

Investment in sovereign debt obligations involves risks not present in debt obligations of corporate issuers. The issuer of the debt or the governmental authorities that control the repayment of the debt may be unable or unwilling to repay principal or interest when due in accordance with the terms of such debt, and a Fund may have limited recourse to compel payment in the event of a default.

### **Investments in Emerging Markets.**

The economies of individual emerging market countries may differ unfavorably from those of developed countries in such respects as growth of gross domestic product, rates of inflation, currency valuation, capital reinvestment, resource self-sufficiency and balance of payments positions. Governments of many emerging markets countries have exercised and continue to exercise substantial influence over many aspects of the private sector. In some cases, the local government owns and/or controls many companies, including some of the largest in the country. Accordingly, government actions could have a significant effect on economic and market conditions in an emerging markets country. Government approvals can be required in connection with private transactions and such approvals may take a far longer period of time to obtain than in more developed countries. Moreover, the economies of emerging market countries generally are heavily dependent upon commodity prices and international trade and, accordingly, have been and may continue to be affected adversely by the economies of their trading partners, trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. With respect to any emerging market country, there is a possibility of nationalization, expropriation or confiscatory taxation, political changes, government regulation, economic

or social instability, diplomatic developments (including war) or terrorism which could affect adversely the economies of such countries or the value of a Fund's investments in those countries. In addition, the inter-relatedness of the economies in emerging markets countries has deepened over the years, with the effect that economic difficulties in one country often spread throughout an applicable region.

Some emerging markets countries have laws and regulations that currently limit or preclude direct foreign investment in their securities markets. Prior government approval for foreign investments may be required under certain circumstances in some emerging markets countries, and the process of obtaining these approvals may require a significant expenditure of time and resources. Repatriation of investment income, capital and the proceeds of sale by foreign investors may require governmental registration and approval in some emerging markets countries. Furthermore, investments in companies in some emerging markets countries may require significant government approvals under corporate, securities, exchange control, foreign investment and other similar laws and may require financing and structuring alternatives that differ significantly from those customarily used in more developed countries. In addition, in certain countries, such laws and regulations have been subject to frequent and unforeseen change, potentially exposing a Fund to restrictions, taxes and other obligations that were not anticipated at the time an investment was initially made.

Settlement procedures in emerging markets are frequently less developed and reliable than those in the United States and may involve a Fund's delivery of securities before receipt of payment for their sale. In addition, significant delays are common in certain markets in registering the transfer of securities. Settlement or registration problems may make it more difficult for a Fund to value its securities and could cause the Fund to miss attractive investment opportunities, have a portion of its assets uninvested or to incur losses due to the failure of a counterparty to pay for securities the Fund has delivered or the Fund's inability to complete its contractual obligations because of theft or other reasons.

Companies in emerging markets countries are not generally subject to uniform accounting, auditing and financial reporting standards, practices and disclosure requirements comparable to those applicable to U.S. companies. In particular, the assets and profits appearing on the financial statements of a company in an emerging markets country may not reflect its financial position or results of operations in the way they would have been reflected had such financial statements been prepared in accordance with U.S. generally accepted accounting principles. In addition, for a company that keeps accounting records in local currency, inflation accounting rules in some emerging markets countries require, for both tax and accounting purposes, that certain assets and liabilities be restated on the company's balance sheet in order to express items in terms of a currency of constant purchasing power. As a result, financial data may be materially affected by restatements for inflation and may not accurately reflect the real condition of real estate, companies and securities markets. Accordingly, a Fund's ability to conduct due diligence in connection with an investment and to monitor the investment may be adversely affected by these factors.

Investments in emerging markets are subject to the risk that the liquidity of a particular investment, or investments generally, in

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such markets will shrink or disappear suddenly and without warning as a result of adverse economic, market or political conditions or adverse investor perceptions, whether or not accurate. Because of the lack of sufficient market liquidity, a Fund may incur losses because it will be required to effect sales at a disadvantageous time and then only at a substantial drop in price. Investments in emerging markets may be more difficult to price precisely because of the characteristics discussed above and lower trading volumes.

Currently, there is no market or only a limited market for many of the management techniques and instruments with respect to the currencies and securities markets of the emerging market countries. Consequently, there can be no assurance that suitable instruments for hedging currency and market-related risks will be available at times when a Fund wishes to use them.

### **Euro-Zone Risks.**

Certain European Union member states have fiscal obligations greater than their fiscal revenue, which has caused investor concern over such countries' ability to continue to service their debt and foster economic growth in their economies. The European debt crisis and measures adopted to address it have significantly weakened European economies. A weaker European economy may cause investors to lose confidence in the safety and soundness of European financial institutions and the stability of European member economies. A failure to adequately address sovereign debt concerns in Europe could hamper economic recovery or contribute to recessionary economic conditions and severe stress in the financial markets, including in the U.S. Potential events which could have such an impact on the financial markets include (i) sovereign debt default (default by one or more European governments in their borrowings), (ii) European bank and/or corporate debt default, (iii) market and other liquidity disruptions, and, (iv) if stresses become especially severe, the collapse of the European Union as a coherent economic group and/or the collapse of its currency, the Euro.

### **Geographic Concentration.**

Political and economic conditions and changes in regulatory, tax, or economic policy in a country could significantly affect the market in that country and in surrounding or related countries.

### **Conflicts of Interest.**

The involvement of the Trustee and/or the investment Adviser and their affiliates in the management of, or their interest in, other accounts may present conflicts of interest with respect to each Fund or limit its investment activities. The Trustee and the Investment Adviser and their other advisory affiliates, may engage in proprietary trading and advise accounts and funds which have investment objectives similar to those of the Funds and/or which engage in and compete for transactions in the same types of securities, currencies and instruments as the Funds. The Investment Adviser will not have any obligation to make available any information regarding their proprietary activities or strategies, or the activities or strategies used for other accounts managed by them, for the benefit of the management of the Funds. Therefore, it is possible that a Fund could sustain losses during periods in which the Investment Adviser and its affiliates and other accounts achieve significant

profits on their trading for proprietary or other accounts. In addition, the Funds may, from time to time, enter into transactions in which other clients of Investment Adviser have an adverse interest.

### **Financial Services Exposure.**

Financial services companies are highly dependent on the supply of short-term financing. The value of securities of issuers in the financial services sector can be sensitive to changes in government regulation and interest rates and to economic downturns in the United States and abroad.

### **Industry Concentration.**

Market conditions, interest rates, and economic, regulatory, or financial developments could significantly affect a group of related industries, and the securities of companies in that group of related industries could react similarly to these or other developments.

The technology industries can be significantly affected by obsolescence of existing technology, short product cycles, falling prices and profits, and competition from new market entrants.

### **Prepayment.**

Many types of debt securities, including mortgage securities, are subject to prepayment risk. Prepayment occurs when the issuer of a security can repay principal prior to the security's maturity. Securities subject to prepayment can offer less potential for gains during a declining interest rate environment and similar or greater potential for loss in a rising interest rate environment. In addition, the potential impact of prepayment features on the price of a debt security can be difficult to predict and result in greater volatility.

### **Issuer-Specific Changes.**

Change in the financial condition of an issuer, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can affect the credit quality or value of an issuer's securities. Entities providing credit support or a maturity-shortening structure also can be affected by these types of changes. If the structure of a security fails to function as intended, the security could decline in value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Smaller issuers can have more limited product lines, markets, or financial resources. Lower-quality debt securities (those of less than investment-grade quality) and certain types of other securities tend to be particularly sensitive to these changes.

Lower-quality debt securities and certain types of other securities involve greater risk of default or price changes due to changes in the credit quality of the issuer. The value of lower-quality debt securities and certain types of other securities often fluctuates in response to company, political, or economic developments and can decline significantly over short periods of time or during periods of general or regional economic difficulty. Lower-quality debt securities can be thinly traded or have restrictions on resale, making them difficult to sell at an acceptable price. The default rate for lower-quality debt securities is likely to be higher during economic recessions or periods of high interest rates.

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## Risks of Illiquid Securities.

Each Fund may invest in certain illiquid securities that cannot be readily disposed of in the ordinary course of business at fair value. Illiquid securities include:

- Both domestic and foreign securities that are not readily marketable.
- Certain participation interests.
- Repurchase agreements and time deposits with a notice or demand period of more than seven days.
- Certain over the counter options.
- Certain structured securities and all swap transactions.
- Certain restricted securities other than Rule 144A Securities for which a liquid institutional trading market is present.

Investing in Rule 144A Securities may decrease the liquidity of a Fund to the extent that qualified institutional buyers become for a time uninterested in purchasing these restricted securities. The purchase price and subsequent valuation of restricted and illiquid securities normally reflect a discount, which may be significant, from the market price of comparable securities for which a liquid market exists.

## Quantitative Investing.

The value of securities selected using quantitative analysis can react differently to issuer, political, market, and economic developments than the market as a whole or securities selected using only fundamental analysis and the weight placed on those factors may not be predictive of a security's value. In addition, factors that affect a security's value can change over time and these changes may not be reflected in the quantitative model.

## Risks Related to Soundness of Financial Institutions.

Routine funding or settlement transactions could be adversely affected by the actions and commercial soundness of domestic or foreign financial institutions. The operations of U.S. and global financial services institutions are highly interconnected and a decline in the financial condition of one or more financial services institutions may expose the Funds to credit losses or defaults, limit their access to liquidity or otherwise disrupt their operations.

## Operational Risks.

Operation of the Funds may be subject to risk of loss resulting from human error, inadequate or failed internal processes and systems, or external events. Operational risks also include the risk of fraud by employees, clerical and record-keeping errors, nonperformance by vendors, threats to cybersecurity, and computer/telecommunications malfunctions.

## Important Facts

### Price

The unit value of the Fund changes daily, based upon the market value of the underlying securities. The Fund is subject to wide fluctuations in unit value because it holds virtually all assets in common stocks.

### Information Accessibility

Since this is not a mutual fund, information is not available from a newspaper or other public information sources. The plan's recordkeeper will provide your account information over the internet and through an automated telephone system.

## Additional Disclosures

The Bloomberg Barclays U.S. Aggregate Bond Index is a broad-based flagship benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate and hybrid ARM pass-throughs), ABS and CMBS (agency and non-agency). Provided the necessary inclusion rules are met, U.S. Aggregate eligible securities also contribute to the multi-currency Global Aggregate Index and the U.S. Universal Index, which includes high yield and emerging markets debt. The U.S. Aggregate Index was created in 1986 with history backfilled to January 1, 1976. No fees or commissions are subtracted from index returns and it is not possible to invest directly in a market index.

The Fund may use futures, options, or other derivatives, and is operated by a person who has claimed an exclusion from the definition of a commodity pool operator under the Commodity Exchange Act and is, therefore, not subject to registration or regulation under that Act. The investment managers may use futures, options, swaps, or other derivatives as a substitute for taking a position in the underlying asset; to seek to take advantage of changes in securities prices, interest rates, and other factors affecting value; to hedge risk; to maintain liquidity; or for other reasons. Each of these strategies has its own risks and could decrease the value of the Fund. The managers of the Fund currently do not expect to make significant use of derivatives in implementing its investment strategy.

Top 10 holdings information can be obtained by contacting the Savings Plus Program at (855) 616-4776, Monday through Friday 5 am – 8 pm PT. Due to the fund structure, top ten holdings must be calculated by combining information provided by each manager and are typically not available until at least 90 days after the end of the quarter.