California State University
Tax Sheltered Annuity (TSA) Program

Putting Your Future To Work For You
Today’s Agenda

- **Overview of Changes**
  - TSA Program Overview
  - Why the TSA Program is Changing?
  - Managing Participant Fees
  - Why Fidelity?

- **Fidelity will Review**
  - Transition Details
  - Ways to Maximize Your Savings Opportunities
  - Steps You Can Take Beginning March 7, 2016
TSA Program Overview

- A voluntary program that allows eligible employees an opportunity to save pre-tax toward their retirement
- Currently, there are five different investment company(ies) with whom participants can invest their retirement savings
  - Fidelity Investments
  - MetLife
  - TIAA-CREF
  - VALIC
  - VOYA (formerly ING)
- Participants select their investments from 140+ available investment options
What’s Not Changing?

- **Eligibility Rules**
  - Most employees are eligible to participate in the TSA program, including employees who retire and return to work.

- **Enrollment**
  - The cut-off date for participants to make changes to their contributions is the 5th day of each calendar month.
  - Lump sum deferrals will continue to be processed by campus Benefits and/or Payroll offices (i.e., CTO, vacation pay, etc.).

- **Vesting**
  - Participants are always 100% vested in any contributions they make.
What’s Not Changing?

- **Withdrawal Rules**
  - Participants are generally permitted to take a withdrawal from their account when they reach age 59 ½, terminate employment, retire, become permanently disabled, or have a financial hardship as defined by the Internal Revenue Service.

- **Planning and Guidance Support**
  - Knowledgeable professionals will continue to visit campuses to assist participants in planning for their retirement.

- **Current Account Balances**
  - Legacy assets will remain at Fidelity, MetLife, TIAA-CREF, VALIC, and VOYA unless participants elect to move them.
Overall Project Goals

1. Enrich Participant Experience and Program Effectiveness
   - Improve decision making due to less duplication
   - Independent investment education and retirement guidance

2. Enhance Value for Faculty and Staff
   - Control / reduce the expenses paid by participants

3. Reinforce Oversight and Monitoring
   - Effective governance can increase participant satisfaction and improve retirement readiness
Why is the TSA Changing?

- The strategic review identified many areas for improvement:
  - A new **tiered investment menu** helps to reduce participant confusion while expanding participant choice
  - The new structure leverages Program assets to **reduce investment and administrative costs** for participants
  - Administrative **service provider consolidation** improves efficiency, expands services, and lowers compliance-related risks
  - A **fixed dollar recordkeeping fee** provides greater transparency and a more equitable way to pay for administration
  - Separating the investment management function from education and guidance services allows **unbiased advice**
Tiered Investment Structure

- Investments to meet **different levels of investor knowledge** and **different employee preferences for engagement**

<table>
<thead>
<tr>
<th>Tier 1</th>
<th>Tier 2</th>
<th>Tier 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Target Date Funds</strong></td>
<td><strong>Index Funds</strong></td>
<td><strong>Self Directed Window</strong></td>
</tr>
<tr>
<td>A “hands-off” approach to investing</td>
<td>Deliver the return of the major asset classes</td>
<td>Want additional choice, flexibility</td>
</tr>
</tbody>
</table>

**Desired Level of Engagement**

- Low
- High
Investment Selection Process

- Search criteria for selecting the new funds included:
  - Provide adequate *diversification* across the major asset classes including both active and passive investment options
  - Each firm’s *organizational structure* including ownership, stability, financial strength, and business operations
  - The investment *staff* and investment *process*, including risk management and operational due diligence
  - Historical *performance* relative to appropriate benchmarks and peer group universes
  - Other factors, such as *terms and conditions* that could negatively or positively affect the TSA and its participants
Managing Participant Fees

- Today, administrative fees are included in each investment’s “expense ratio” and deducted directly from earnings.
- Administrative fees will be more transparent and equitable allowing for the use of lower-cost “institutional” fund options.

<table>
<thead>
<tr>
<th>Account Balance</th>
<th>Average Investment Fee</th>
<th>Average Administration Fee</th>
<th>Total Fee</th>
<th>Annual Participant Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Old</td>
<td>$50,000</td>
<td>$259 (0.52%)</td>
<td>$145 (0.29%)</td>
<td>$404 (0.81%)</td>
</tr>
<tr>
<td>New</td>
<td>$50,000</td>
<td>$200 (0.40%)</td>
<td>$46 (0.09%)</td>
<td>$246 (0.49%)</td>
</tr>
<tr>
<td>High</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Old</td>
<td>$100,000</td>
<td>$517 (0.52%)</td>
<td>$290 (0.29%)</td>
<td>$807 (0.81%)</td>
</tr>
<tr>
<td>New</td>
<td>$100,000</td>
<td>$400 (0.40%)</td>
<td>$46 (0.05%)</td>
<td>$446 (0.45%)</td>
</tr>
</tbody>
</table>

* The above calculations are based on the average investment expenses. An individual’s actual expenses will vary based on the actual investment options they individually selected.
Administrative Services

The administrative service provider is responsible for:

- Maintaining transactional records and providing quarterly statements
- Supplying participant education, retirement guidance, and communication services
- Supporting compliance testing, participant reporting, and assisting with regulatory requirements
- Providing trustee services

Administrative service providers have upgraded their systems and can now offer their services separate from their investment offerings
Why Fidelity?

- Results from a rigorous Request for Proposal (RFP) determined that Fidelity would be able to offer:
  - Top-quality recordkeeping and retirement planning capabilities
  - Award winning communication and education services
  - Powerful online tools and specialized professional support
  - Flexibility to meet participants’ investment needs
  - Significant experience and expertise in serving institutions of higher education
  - Competitive pricing proposal
Current Program Assets

- **Beginning on April 1, 2016**, contributions to the TSA program will be directed into the new investment lineup at Fidelity.
- **Legacy assets** at Fidelity, MetLife, TIAA-CREF, VALIC, and VOYA will remain in participants’ existing TSA account(s).
- Participant may move legacy assets into the new TSA program to take advantage of the new tiered investment menu and lower fees.
- Fidelity planning and guidance consultants can help you better understand the merits and drawbacks of moving legacy assets in a one-on-one consultation.
Key Concepts – Summary

- Reducing overlap simplifies the decision making process
- The tiered investment structure leverages total plan assets to offer “institutional” fund options for participant investment
- A self-directed window provides added investment flexibility
- A single administrative service provider improves efficiency, expands services, and lowers compliance-related risks
- A fixed dollar recordkeeping fee creates a more transparent and equitable cost structure
- Independent and objective investment guidance and advice
Workplace Education Series

Making the Most of Your Workplace Savings Transition
Plan transition details

Let’s explore:
– Key dates and terminology
– Your new investment line up
Plan transition details

Key Events and Terminology

Transition period
• Takes place when an employer decides to change workplace savings plan providers
• Time to complete can vary

Blackout period
• Time during which you will be unable to exercise your rights otherwise available under the plan
## Transition highlights

### Key Dates

<table>
<thead>
<tr>
<th>Activity</th>
<th>Date / Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Last day to make changes to your contribution amount through the VALIC Retirement Manager application. *You will not be able to make contribution amount changes while we reconcile this information and send it to our new system with Fidelity Investments.</td>
<td>February 5, 2016</td>
</tr>
<tr>
<td>Blackout on Contribution Amount Changes Ends *Any changes made after this date will go into effect with the April 29 pay warrant</td>
<td>March 7, 2016</td>
</tr>
<tr>
<td>Early Choice Window Opens</td>
<td>March 7, 2016</td>
</tr>
<tr>
<td>Early Choice Window Closes</td>
<td>March 28, 2016</td>
</tr>
<tr>
<td>Blackout period for directing future contributions begins</td>
<td>March 28, 2016, 1 p.m. PST</td>
</tr>
<tr>
<td>Last day to submit a loan, hardship or withdrawal certificate through the VALIC Retirement Manager application *After this date, loan and hardship requests may be requested directly through the following vendors: Fidelity, TIAA-CREF, Lincoln, VALIC, Transamerica, AXA Equitable, Voya, Ameriprise, National Life or Oppenheimer. Balances at any other vendor must be transferred to Fidelity to become available for a loan or hardship. Be sure to consider all your available options and the applicable fees and features of each before moving your retirement assets. Please contact the frozen vendor to learn about applicable fees.</td>
<td>March 31, 2016</td>
</tr>
<tr>
<td>The new fund lineup is live, and any new contributions will be directed to the new lineup *Existing balances as of 3/31 may still be exchanged among old funds at all vendors. You may also exchange/transfer to the new line-up, but once there, can never go back to old funds or vendors. Some old fund may be available through BrokerageLink. Transaction fees may apply. Please call 800-343-0860 with questions.</td>
<td>March 31, 2016</td>
</tr>
<tr>
<td>Blackout period for directing future contributions ends; all plan features are live</td>
<td>April 1, 2016</td>
</tr>
</tbody>
</table>
Early Choice Window

Between March 7 – March 28, 2016 the “Early Choice Window” is open. During this time you may select how new contributions will be directed at Fidelity Investments.

If you DO NOT make an election during the Early Choice Window, your new contributions will be directed to the Vanguard Target Retirement Date Fund that most closely aligns with the year you will turn age 65.

Balances held at MetLife, TIAA-CREF, VALIC, and VOYA will remain in your existing TSA account unless you request the assets to be transferred. Balances at Fidelity will remain in the old fund line-up unless you choose to exchange them into the new fund line-up.
### Lifecycle Chart

Your plan has assigned lifecycle funds based on target retirement date ranges, if you decide not to select individual investment options.

<table>
<thead>
<tr>
<th>Year of birth</th>
<th>Fund Name</th>
<th>Target Retirement Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>1942 and before</td>
<td>Vanguard Target Retirement Income Investor Shares</td>
<td>Before 2008</td>
</tr>
<tr>
<td>1968 – 1972</td>
<td>Vanguard Target Retirement 2035 Investor Shares</td>
<td>2033 - 2037</td>
</tr>
<tr>
<td>1978 – 1982</td>
<td>Vanguard Target Retirement 2045 Investor Shares</td>
<td>2043 – 2047</td>
</tr>
<tr>
<td>1983 – 1987</td>
<td>Vanguard Target Retirement 2050 Investor Shares</td>
<td>2048 – 2052</td>
</tr>
<tr>
<td>1993 or later</td>
<td>Vanguard Target Retirement 2060 Investor Shares</td>
<td>2058 or later</td>
</tr>
</tbody>
</table>

The target date investments are designed for investors expecting to retire around the year indicated in each fund’s name. The investments are managed to gradually become more conservative over time as they approach the target date. The investment risk of each target date investment changes over time as its asset allocation changes. The investments are subject to the volatility of the financial markets, including that of equity and fixed income investments in the U.S. and abroad, and may be subject to risks associated with investing in high-yield, small-cap, and foreign securities. Principal invested is not guaranteed at any time, including at or after the target dates.
Maximize your retirement savings opportunities

Let’s explore:
– Steps to help you make the most out of your paycheck
– Annual IRS limits
– The fundamentals of investing
Don’t put it off another day

- First, start with what you can afford
- Strive to reach the maximum annual pretax contribution limit ($18,000 in 2016)
- Take advantage of catch-up contributions, if eligible ($6,000 in 2016)
- Continue ease and discipline of payroll deduction

Once you’re at that level, then you can think about other tax-advantaged savings vehicles outside of your workplace savings plan.

Some Tools to Help: Use our Contribution Calculator to try some “what-if” planning—and the Take-Home Pay Calculator to see what a bargain it can be to save in your plan.
Over time, that can add up to big savings

Invest now, thank yourself later

Growth of investment over 25 years

- 6% contribution
- 8% contribution
- 10% contribution

This hypothetical example assumes a beginning plan account balance of $10,000; starting annual gross salary of $30,000, $50,000 and $75,000; salary increase of 3% each year; pre-tax contributions of 6%, 8% and 10% of salary every week for 25 years and an effective annual rate of return of 7%. The ending values do not reflect taxes, fees or inflation. If they did, amounts would be lower. Earnings and pre-tax contributions are subject to taxes when withdrawn. Distributions before age 59 1/2 may also be subject to a 10% penalty. Contribution amounts are subject to IRS and Plan limits. This example is for illustrative purposes only and does not represent the performance of any security. Individuals may earn more or less than this example. Investing on a regular basis does not ensure a profit or guarantee against a loss in a declining market.
The three investment types and the role they play

**Inflation risk**

**Investment risk**

**Short-term investments**
- Money market, T-bills, CDs
- Relatively stable value
- Potential to pay interest
- Lower risk, lower potential return

**Bonds**
- I.O.U.
- Debt securities issued by governments and corporations
- Potential to pay interest
- Moderate risk, moderate potential return

**Stocks**
- Share of a company, “equity”
- Long-term growth potential
- Value can go up and down
- Higher risk, higher potential return

An investment in a money market fund is not insured or guaranteed by the FDIC or any other government agency. Although money market funds seek to preserve the value of your investment at $1 per share, it is possible to lose money by investing in these funds.
It’s about solving for these three factors

Your time horizon
Your risk tolerance
Your financial situation

A Tool to Help: Visit NetBenefits > Planning tab to find your target asset mix and create an action plan to help align your portfolio with your goals. Or, complete the Investor Profile Questionnaire.
## Tier 1: Target Retirement Date Investment Options as of April 1, 2016

<table>
<thead>
<tr>
<th>Investment Options</th>
<th>Ticker</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vanguard Target Retirement Income Fund Investor Shares</td>
<td>VTINX</td>
</tr>
<tr>
<td>Vanguard Target Retirement 2010 Fund Investor Shares</td>
<td>VTENX</td>
</tr>
<tr>
<td>Vanguard Target Retirement 2015 Fund Investor Shares</td>
<td>VTXVX</td>
</tr>
<tr>
<td>Vanguard Target Retirement 2020 Fund Investor Shares</td>
<td>VTWNX</td>
</tr>
<tr>
<td>Vanguard Target Retirement 2025 Fund Investor Shares</td>
<td>VTTVX</td>
</tr>
<tr>
<td>Vanguard Target Retirement 2030 Fund Investor Shares</td>
<td>VTHRX</td>
</tr>
<tr>
<td>Vanguard Target Retirement 2035 Fund Investor Shares</td>
<td>VTTHX</td>
</tr>
<tr>
<td>Vanguard Target Retirement 2040 Fund Investor Shares</td>
<td>VFORX</td>
</tr>
<tr>
<td>Vanguard Target Retirement 2045 Fund Investor Shares</td>
<td>VTIVX</td>
</tr>
<tr>
<td>Vanguard Target Retirement 2050 Fund Investor Shares</td>
<td>VFIFX</td>
</tr>
<tr>
<td>Vanguard Target Retirement 2055 Fund Investor Shares</td>
<td>VFFVX</td>
</tr>
<tr>
<td>Vanguard Target Retirement 2060 Fund Investor Shares</td>
<td>VTTSX</td>
</tr>
</tbody>
</table>
## Tier 2: Index Fund Investment Options as of April 1, 2016

<table>
<thead>
<tr>
<th>Investment Options</th>
<th>Ticker</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vanguard Total Bond Market Index Fund Admiral Shares</td>
<td>VBTLX</td>
</tr>
<tr>
<td>Vanguard Total International Bond Index Fund Admiral Shares</td>
<td>VTABX</td>
</tr>
<tr>
<td>Vanguard 500 Index Fund Admiral Shares</td>
<td>VFIAX</td>
</tr>
<tr>
<td>Vanguard Extended Market Index Fund Admiral Shares</td>
<td>VEXAX</td>
</tr>
<tr>
<td>Vanguard Total International Stock Index Fund Admiral Shares</td>
<td>VTIAX</td>
</tr>
<tr>
<td>Investment Options</td>
<td>Ticker</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>----------</td>
</tr>
<tr>
<td>Vanguard Federal Money Market Fund Investor Class</td>
<td>VMFXX</td>
</tr>
<tr>
<td>VOYA Stabilizer</td>
<td>N/A</td>
</tr>
<tr>
<td>BlackRock Total Return Fund Class K</td>
<td>MPHQX</td>
</tr>
<tr>
<td>DFA Inflation-Protected Securities Portfolio Institutional Class</td>
<td>DIPSX</td>
</tr>
<tr>
<td>PRIMECAP Odyssey Growth Fund</td>
<td>POGRX</td>
</tr>
<tr>
<td>T. Rowe Price Institutional Large Cap Value Fund</td>
<td>TILCXX</td>
</tr>
<tr>
<td>William Blair Small-Mid Cap Growth Fund Class I</td>
<td>WSMDX</td>
</tr>
</tbody>
</table>
Fidelity BrokerageLink®

– Combines the convenience of your workplace savings plan with the additional flexibility of a brokerage account.
– Gives you expanded investment choices from which to invest your retirement contributions.
– However, if you do not feel comfortable managing a portfolio beyond those offered through your plan's standard investment options, then a self-directed brokerage account may not be right for you.
– Additional fees apply to a brokerage account; please refer to the fact sheet and commission schedule for a complete listing of brokerage fees.
– The plan fiduciary neither evaluates nor monitors the investments available through BrokerageLink®.
– Remember, it is always your responsibility to ensure that the options you select are consistent with your particular situation, including your goals, time horizon, and risk tolerance.
Steps you can take today

Let’s explore:
- Setting up your account on NetBenefits
- The benefits of consolidating accounts
- How Fidelity can help
Steps to take today

Make the most of your plan’s move to Fidelity

- Be aware of key dates and activities
- Understand the new investment lineup
- Take advantage of the new products and services
- Make saving a priority
Set up your account on NetBenefits®

If you are not currently registered on NetBenefits, you will need to create a user name and password.

- If you have other accounts with Fidelity, your new log in information applies to these accounts, as well as to accessing your account by phone.

Tip: Take advantage of interactive tools, calculators, and educational resources available on NetBenefits.com/calstate.
Steps to take today

Make sure your beneficiary designations are current

If you have not already selected your beneficiaries, or if you have experienced a life-changing event, now is a good time to consider your beneficiary designations.

- Primary
- Secondary
- Spousal consent
Simplify your accounts

- Keep all of your assets in one place
- Fewer statements
- Track overall performance
- Maintain investment strategy of choice

Be sure to consider all your available options and the applicable fees and features of each before moving your retirement assets.
Put all you’ve just learned to work for your future

We will work one on one with you to provide:

- Information about your plan’s features and benefits
- Assistance with a range of services from plan enrollment to investment education as well as account consolidation
- Guidance on next steps to help you maximize your workplace savings plan and other retirement savings opportunities
- Assistance with more complex needs including, multi-goal and retirement income planning, charitable giving strategies, and investment management

Contact our Workplace Planning and Guidance Consultants for a one-on-one consultation today!

Call: 800-642-7131
Representatives are available from 8:30 am – 9:00 pm EST

Be sure to consider all your available options and the applicable fees and features of each before moving your retirement assets.
Before investing in any mutual fund, consider the investment objectives, risks, charges, and expenses. Contact Fidelity for a prospectus or, if available, a summary prospectus containing this information. Read it carefully.

Investing involves risk, including risk of loss.

Guidance provided by Fidelity through its tools is educational in nature, is not individualized, and is not intended to serve as the primary basis for your investment or tax-planning decisions.