

**TAKE CONTROL OF YOUR FUTURE WITH
THE CALIFORNIA STATE UNIVERSITY
TAX SHELTERED ANNUITY (TSA) PROGRAM**



THE POWER OF SAVING

CSU

The California State University

What does retirement mean to you?

Freedom? Opportunity? Adventure?

Retirement is the time in your life when you can put yourself first and do the things you've always wanted to do.

The California State University Tax Sheltered Annuity (TSA) Program can help you make your retirement everything you want it to be.

Read on to find out more about the TSA Program, including:

- What it is and the benefits it offers,
- Why you should consider participating,
- Recent changes to the TSA Program that make saving easier than ever,
- How the program works,
- The types of investments offered, and
- How to enroll.

What is the TSA Program?

The TSA Program is a 403(b) plan that helps you:

- Save and invest money for your retirement, *and*
- Save money on your taxes now.

When you participate in the TSA Program, you elect to defer a certain amount from each paycheck into a special account to save for your retirement. You then choose the fund sponsor(s) with whom you want to invest, and how you want to allocate your money to a variety of investment funds offered.

In addition to giving you the opportunity to save and invest for your future, the TSA Program helps lower your taxes today. Your contributions to the plan are set aside on a pre-tax basis — this lowers your taxable income, which lowers your state and federal tax bills.

Saving made easy — and now, easier than ever!

The TSA Program has always been a great way to invest in your future. You make your contributions effortlessly through automatic payroll deductions, and have a variety of investment options from which to choose. For 2009, the CSU is making it even easier to participate in the TSA Program.

Beginning January 1, 2009, the TSA Program will feature:

- A new Master Administrator, AIG Retirement Services Company (AIG Retirement), responsible for day-to-day administration,
- Five fund sponsors, and
- A streamlined selection of fund options to make investing easier.

WHAT IS A 403(B) PLAN?

It's a voluntary program that allows eligible CSU employees to save for retirement by investing pre-tax contributions in tax-deferred accounts, under Internal Revenue Code Section 403(b).

SAVING IS EASY

When you participate in the TSA Program, you'll enjoy the convenience of payroll deductions for your monthly contributions — so saving is automatic!

AIG Retirement, as Master Administrator, will help simplify the experience for TSA Program participants. AIG Retirement will manage enrollment and contribution changes, and direct your contributions to the fund sponsor(s) you elect. In addition, AIG Retirement will provide you with a snapshot of your account information no matter which fund sponsor(s) you choose.

Under the restructured TSA Program, you'll be able to choose one or more of five fund sponsors with whom to invest your money. By reducing the number of fund sponsors to five, the CSU will have greater oversight to ensure that the available funds offer the best value to participants. You'll still have a wide variety of funds from which to choose, which means you'll be able to find the funds that are just right for you. A streamlined fund lineup also makes it easier for you to compare all the options available, so you can be sure you're investing in the funds that best meet your savings objectives.

Why participate?

Retirement should be the time of your life when you come first — and it can be. But it's up to you to figure out how to get there.

A general rule of thumb is that you could need up to 80% of your annual pre-retirement income to meet your needs each year when you're retired.

So how do you get there? You're not on your own. The CSU helps you get there with a TSA Program that makes saving and investing easy.

But don't put it off — the sooner you start saving, the better. That's because the earlier you start, the more you benefit from "compounding." Compounding happens over time as your money generates earnings, which are then reinvested to generate more earnings. (See the box below for an example of how this works.)

AN INVESTING STRATEGY JUST FOR YOU

The stock market is cyclical. Although the long-term trend is growth, there are times when the market dips. If you're close to retirement, you'll want to choose lower-risk investments. Younger people have more time before retirement to weather market cycles. If you enroll in the TSA Program, you'll have the option to invest in "lifecycle" funds that invest your money following a strategy that suits your age and when you want to retire.

A compounding example

How important is the power of compounding? Consider this example of Ann and Luis.

Luis begins saving 25 years before his expected retirement (at age 65), setting aside \$400 each month. Ann, who's the same age, waits 10 years and begins saving 15 years before her expected retirement (also at age 65), but she sets aside twice as much as Luis — \$800 each month. For the sake of this example, let's assume a 7% return on both of their accounts.

Now, let's take a look at where they are when they reach their retirement age:

	Luis	Ann
Amount contributed	\$120,000 (\$400 per month for 25 years)	\$144,000 (\$800 per month for 15 years)
Rate of return	7% for 25 years	7% for 15 years
Account balance	\$324,000	\$254,000

While Luis has contributed \$24,000 less than Ann, his account value has grown \$70,000 more than hers because of compounding!

(Keep in mind that while this example assumes a 7% rate of return, many factors can influence the rate of return on an account. The numbers in this example have been rounded for simplicity.)

How the TSA Program works

Think of the TSA Program as an account for your money which you control. You put money into your TSA Program account, just as you would at a bank. But unlike the money in your bank account, your TSA money doesn't just sit there. Instead, it gets invested in the funds you select.

The maximum amount you can contribute to the TSA Program each year is set by the IRS. If you're age 50 or over, the IRS allows you to contribute an additional amount (called a "catch-up contribution") over the annual maximum. Plus, if you have at least 15 years of service with the CSU, you may also be eligible for another type of catch-up contribution.

Fund sponsors

The TSA Program features five fund sponsors, each offering quality investment options. The fund sponsors are:

- AIG Retirement
- Fidelity Investments
- ING Life Insurance and Annuity Company (ING)
- MetLife
- TIAA-CREF

Each fund sponsor offers a wide selection of investment options from which TSA Program participants can choose. The CSU has selected these five fund sponsors based on a number of criteria, including:

- Their experience in working with organizations like the CSU,
- The strength of their business,
- Services and education they offer,
- The flexibility of their fund options, and
- The up-front disclosure of fees charged to participants.

When you enroll in the TSA Program, you elect how much you want to contribute, to which fund sponsor(s) you want to direct your contributions, and how you want your elected fund sponsor(s) to invest your contributions. Once you make these selections, each pay period's contributions are automatically directed into your elected investments. You can elect to change the amount you contribute, the fund sponsor(s) to which you direct your contributions, and how the fund sponsor invests your money at any time (subject to certain deadlines and limits).



An example

Suppose you contribute \$400 to the TSA Program each month. You can choose to direct that money to a single fund sponsor or to split your contributions between two (or more) fund sponsors.

- **If you direct your contributions to one fund sponsor** — for example, ING — all \$400 would go there. You would then decide how to invest that \$400 among the funds offered by ING.
- **If you decide to split your contributions between two fund sponsors** — for example, \$300 to TIAA-CREF and \$100 to ING — your contributions would be sent in the amount you request to each fund sponsor. You would then invest \$300 in the TIAA-CREF investment options available to you and \$100 in the funds offered by ING.

Picking your investments

No matter what your style, the TSA Program has investment options that will fit your savings and investing strategies. For those nearing retirement, there are funds designed to offer a stable, steady return. If you're a younger investor, you may decide to put your money in more aggressive funds that may have a greater risk but the opportunity for a larger return. Want to sit back and relax, and let someone else take care of the fund selection? With the available lifecycle funds, you can pick funds that adjust over time to remain balanced, and become more conservative as you get closer to retirement.

While each of the fund sponsors provides its own selection of funds to TSA participants, they all offer a wide range of funds to meet your needs. The chart below shows the different types of funds available through each of the fund sponsors, and where they fall along the expected risk/return scale.



Fund Type	
Money market	
Bonds	
Treasury inflation-protected securities (TIPS)	
Balanced	
Domestic equity	
Large/mid/small cap value	
Large/mid/small cap blend	
Large/mid/small cap growth	
International equity	
Real estate	

In addition to the types of funds listed above, each fund sponsor offers a series of funds called target-year lifestyle funds. With these funds, you select the fund to invest in based on the year you expect to retire. The fund then regularly rebalances the investments (that is, it makes sure that the allocation mix is aligned with age-appropriate investment goals) and reallocates your money to more conservative investments as you get closer to retirement.

Ready to enroll?

Enrolling in the TSA Program is easy — but before you do, take time to learn more about the fund sponsors and the funds they offer. You'll also want to consider how much you want to contribute given your age and investment strategy, and how much income you'll need once you retire.

So your first step to begin enrolling is to contact your campus benefits representative for a TSA Program Enrollment Kit, or you can download the kit from the CSU or AIG Retirement web site. In the kit you'll find details about the TSA Program, general investment education information from the fund sponsors and enrollment instructions.

For more information, visit . . .

CSU: www.calstate.edu/hr/benefitsportal

AIG Retirement: www.calstate.edu/hr/benefitsportal
Select the "Retirement Manager" link.

Don't miss out on this great opportunity — get started saving today!