

## EMPLOYEE RETENTION IDEA #457: add this retirement plan

Like all employers, you know it can be a challenge to reward and retain the best workers. But did you know that's among the many reasons why over 700 public agencies and schools throughout California offer the CalPERS Supplemental Income 457 Plan?

### What's in it for **you**?

- A new reason for your agency's employees to feel good about their jobs
- No cost to your agency
- When you say "yes" to the CalPERS 457 Plan, we take care of the rest

#### To help you manage your fiduciary responsibility, CalPERS:

- acts as the trustee of your employees' deferred compensation assets
- selects the investment options
- monitors contribution limits
- manages service levels with administrative service providers
- leverages existing payroll deduction feeds into my|CalPERS to receive your employees' 457 Plan deferrals and loan repayments

We are a not-for-profit public entity focused on educating your employees, not selling investment products.

Funds are managed internally by CalPERS in-house investment staff and external institutional investment managers under contract to CalPERS.

We offer value and fair pricing. To keep fees as low as possible, CalPERS does not engage in "revenue sharing" or "administrative expense reimbursement." Plan administration, recordkeeping and investment fees are all included in a simple and fair fee structure.

### What's in it for your **employees**?

- The convenience of saving for retirement through payroll deduction
- A very competitively priced retirement plan, with total fund expenses of 0.40% - 0.55% for the core investment options
- Access to a proprietary lineup of core institutional investments managed by CalPERS staff and professional managers under contract to CalPERS, including Target Retirement Date Funds specifically designed for public employees based on the latest research in portfolio theory and behavioral finance
- An optional Schwab Personal Choice Retirement Account (PCRA®)
- State-of-the-art services

#### 24/7 account management

- Online at <https://calpers.voyaplans.com>
- Toll free telephone at (800) 260-0659
- On mobile devices using the Voya Retire smart phone app

**The latest in online retirement planning**, investing and educational tools, including myOrangeMoney™, at <https://calpers.voyaplans.com>

**Licensed experienced local representatives** lead group educational sessions and meet one-on-one with employees. They are easy to reach at (888) 713-8244 or [www.calpers457.checkappointments.com](http://www.calpers457.checkappointments.com)

**Recordkeeping by Voya Financial™**, the nation's second largest defined contribution plan recordkeeper, serving over five million participants.

Find out more today

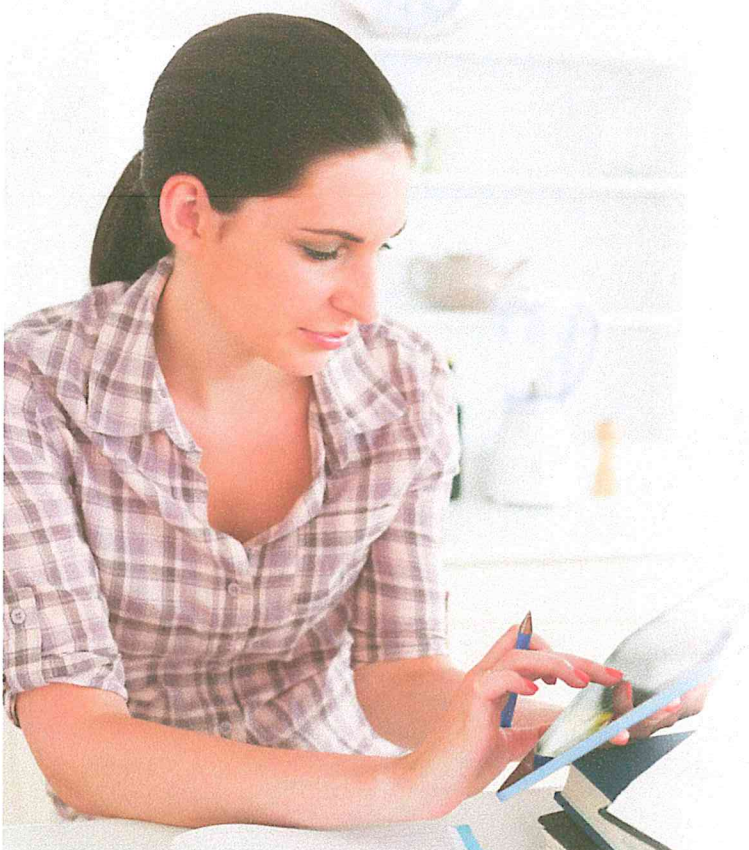
➤ Visit [www.calpers-sip.com](http://www.calpers-sip.com)

📞 Call 1-800-696-3907

Monday - Friday, 8:00 a.m. to 5:00 p.m. (Pacific Time)

## A simple way to save for your future: CalPERS Supplemental Income 457 Plan

Saving for retirement is an important goal. A pension and Social Security are a good start, but they might not be enough to provide the lifestyle you want. Most of us need additional savings to fill the income gap. That's where the CalPERS 457 Plan comes in.



### Why CalPERS?

For more than 80 years, CalPERS has been a not-for-profit public entity in service to those who serve California.

Committed to providing industry leading retirement benefits for employees, retirees and their families, CalPERS offers a complete retirement picture:

- the largest public pension fund in the U.S., and
- the CalPERS Supplemental Income 457 Plan, a deferred compensation plan

As the largest pension provider in the state, you can rely on CalPERS to help you get the most from your retirement benefits. Your pension and the CalPERS 457 Plan are designed to complement each other.

The CalPERS 457 Plan gives you low cost investment choices, plus the latest in investor education, tools and services from Voya Financial™, a national leader in defined contribution plans who is the Plan's record keeper.

Of course, the CalPERS 457 Plan is a voluntary retirement savings plan, and you may be looking at others. There are so many choices, and at times it may be overwhelming.

This brochure is intended to help you understand the many benefits of the CalPERS 457 Plan. We hope it is useful to you in comparing plans before making your decision.

## A convenient way to save.

The CalPERS 457 Plan allows you to automatically save a portion of your salary. You decide how much to contribute (up to the IRS annual limits), and the amount is deducted pre-tax from your paycheck. Your current taxable income is reduced by the amount you save, which may lower your tax bill. In addition, your contributions and any earnings can benefit from the power of tax-deferred compounding. This means that you won't pay taxes on your investments or earnings until you start to take withdrawals, usually in retirement.

## A lower cost plan.

This is a very competitively priced retirement plan. CalPERS recognizes that costs matter. The less you pay to invest, the more of your investment returns you keep — an advantage that really adds up over time. That's why CalPERS reviews the fees for the CalPERS 457 Plan investments on an ongoing basis, aiming to keep expense ratios as low as possible. In fact, taking a close look at expense ratios can help you make your investment decisions, since low cost funds consistently produce higher returns than expensive funds\*. You can use the **Plan Comparison Worksheet** to compare fees for the CalPERS 457 Plan investments with those of other plans.

\* "How Expense Ratios and Star Ratings Predict Success," by Russel Kinnel, Director of Fund Research and Editor, Morningstar Fund Investor, August 2010.

## Quality investments.

The CalPERS 457 Plan offers a simple approach to investing to match your investor style, whether you want to do it yourself or get help. The core investments are managed by CalPERS staff and professional managers under contract to CalPERS. The target retirement date funds are specifically designed for public employees. If your employer contracts for the discount brokerage provision, an optional Schwab Personal Choice Retirement Account® (PCRA) provides even wider investment choices.

## See your savings as future income.

Your 457 Plan account is designed to deliver a personalized, interactive experience to help you make smart money decisions. myOrangeMoney™ shows you the income you may need each month during retirement, how much progress you've already made toward that goal and any gap you'll need to close to eventually reach your retirement goal. Your Personal Financial Dashboard, a convenient tool for organizing your finances, updates automatically and gives you a current view of your complete financial picture.



With myOrangeMoney, you can use the sliders to try out various savings, investing and retirement age scenarios until you find the combination that's right for you. When you're ready to take action, just click on the **Make the change** button and follow the prompts. It's that simple!

# Manage your account your way.

Whether shopping, traveling or investing for retirement, many of us like to do things for ourselves — yet appreciate personal assistance when we need help. That's why the CalPERS 457 Plan gives you many different choices whenever you want service and support.

## ▶ Self-Service

24/7 account management, retirement planning and investing tools

### Automated phone line

(800) 260-0659

### Plan website

<https://calpers.voyaplans.com>

### Mobile account access

Voya Retire app for iPhone®, iPod touch® and Android™ devices

*iPhone and iPod touch are trademarks of Apple Inc., registered in the U.S. and other countries.*

*App Store is a service mark of Apple Inc. Android is a trademark of Google Inc.*

### Education from hire to retire

Online reading, calculators, seminars and videos

<https://calpers.voyaplans.com>

## ▶ Personal Service

One-on-one assistance and individual account reviews

### Licensed experienced local representatives available by telephone and in person

(888) 713-8244

[www.calpers457.checkappointments.com](http://www.calpers457.checkappointments.com)

### Education from hire to retire

Live webinars, worksite group sessions and individual meetings with local representatives (888) 713-8244



## How to join.

You're immediately eligible to participate if your employer has adopted the CalPERS 457 Plan.

Call toll free **(888) 713-8244** to request a *Participant Enrollment Kit*. Once you complete the enrollment form, it must be signed by an employer representative before you can enroll.

# Loan Feature

Planning for the unexpected can be difficult. Before you decide to tap into your CalPERS Supplemental Income 457 Plan account, make sure you understand how a loan could impact your retirement savings.

## Who may apply for a loan?

Any participant, whose Agency has adopted the Loan Provision, may take a loan from their account with the CalPERS Supplemental Income 457 Plan (the "Plan"). You will need to contact your Agency or the Plan Information Line **1-800-260-0659** to learn if your Agency has adopted the Loan Provision.

## What are the fees associated with applying for a loan?

- The charge is \$50 per loan application paid by the participant. This fee is deducted from your Plan account.
- There are no annual maintenance fees or asset-based fees assigned to the loan.

The following may help you in determining if requesting a loan is really the best method for you to meet those unexpected expenses:

## Taking a loan from the Plan

### How do you apply for a loan?

As a participant in the Plan, you may apply for a loan over the Plan Information Line at **1-800-260-0659** or Web Sites at <https://calpers.voyaplans.com>

### What happens if and when the loan is approved?

Once the application is submitted and approved the following will occur:

- You will receive the loan check along with a Truth-in-Lending Disclosure Statement.
- The promissory note and security agreement will be printed on the back of the loan check.
- The notice will contain the amount financed, the finance charge, the loan's annual percentage rate, the repayment procedure, the security interest and a copy for you to keep for your records.

### What are the minimum and maximum loan amounts?

The minimum loan amount is \$1,000.

The maximum loan amount is the lesser of:

- 50% of your vested account balance as of the Valuation Date of the loan or, \$50,000
  - The Valuation Date is the business day immediately preceding the date on which the loan is approved
- This amount is then reduced by your highest outstanding loan balance, if any, over the last 12 months.

### How is the maximum loan amount calculated?

The IRS Limits the amount you may take from multiple plans for loans. For the purpose of determining the maximum loan amount available to you, any loan from any other plan maintained by a participating employer will be treated as if it were a loan made from this Plan. The maximum loan amount is the lesser of: (1) 50 percent of your vested account balance as of the Valuation Date immediately preceding the date on which the loan is approved, or (2) \$50,000, less the highest outstanding loan balance over the last 12 months. By submitting this loan you are stating that you are in compliance with these regulations.

### How is the money taken out of my Plan investment offerings?

Loan disbursements will be taken pro rata across all the money sources and investment funds in your account, excluding SMA Funds.

### Will I have to pay taxes on the loan amount as if it was a distribution from my account?

No. Amounts borrowed through the Plan are not taxable distributions and are not subject to federal withholding taxes as long as the loan is repaid in full.

### Will I have to pay interest on my loan?

Yes, you will pay interest on your loan at a rate of the Prime Rate plus one percent, as printed in the Wall Street Journal on the last business day of the prior month. These interest payments will go back into your account; however, you will not be able to deduct this interest on your income tax return.

- The Service Members Civil Relief Act (an update to the Soldiers' and Sailors' Civil Relief Act of 1940) imposes a 6% maximum limit on the interest rate charged to military service members for loans during the duration of active military service. For more information, contact a Participant Service Representative at **1-800-260-0569**, Monday through Friday, 6:00 a.m. to 5:00 p.m. Pacific Time, except on New York Stock Exchange holidays.

## How a loan may affect your savings

Pros	Cons
You have access to the money in your Plan account.	The amount of the interest may be less than the money you would have earned had you invested the loan balance.
You pay yourself back with interest that may be lower than a bank interest rate.	Your loan repayments are made with after-tax dollars.
No credit check.	Many participants decrease or stop contributions while paying back a loan which negatively impacts your retirement savings.

## Requesting a Loan

There are three ways to apply for a loan:

- 1 Log on to the CalPERS website at <https://calpers.voyaplans.com>, enter your login information, and select your Plan.
  - Under the *My Account* tab, click on *Loans*, then *Request a Loan*.
  - You will be required to provide your password to request a loan.
- 2 Call the CalPERS Plan Information Line at **1-800-260-0659**, option 1 and use the automated service to request a loan.
- 3 Call the CalPERS Plan Information Line at **1-800-260-0659**, and speak with a Participant Service Representative. Representatives are available Monday through Friday, 6:00 a.m. to 5:00 p.m. Pacific Time, except on New York Stock Exchange holidays.

Upon approval, your loan application will be processed and a check will be mailed usually within 2 business days.

## Loan Repayments

### How long may I take to repay the loan?

- The minimum time period for borrowing is one year.
- The maximum time period for borrowing is 5 years.

### How do I repay the loan?

You will repay yourself with interest through payroll deductions that are automatically deducted from your employer's payroll system.

- Payments will begin with the regular payroll beginning the second month, or as soon thereafter as is administratively practicable.
- Payroll contributions and payments, including after-tax repayments, will be submitted through the my|CalPERS system.

### How are payments applied to my account?

Loan repayments will be reinvested according to your current investment elections.

### May I payoff the loan in full?

Yes, you may prepay your loan in full at any time by paying the outstanding loan balance by cashier's check or certified check made payable to: CalPERS Supplemental Income 457 Plan.

- Partial payments are not allowed.

### What if I am called to Military Duty?

If you are called to military duty, loan repayment and the default process will be suspended. The loan repayment period is extended for the period of time you are on active military duty under the Uniformed Services Employment and Reemployment Rights Act of 1994 (USERRA).

### Under what circumstances may my loan be immediately due and payable?

- Upon death, unpaid leave of absence, insufficient paycheck funds, retirement or termination of employment, your outstanding loan balance will be immediately due and payable.
- Failure to repay upon death, disability, retirement or termination will be deemed a distribution and will be reported as earned income and a 1099R will be issued.

## Loan Restrictions

### How many loans may be taken out?

- For all CalPERS Supplemental Income 457 Plans, the maximum number of loans permitted at one time is one.
- No new loan may be taken until the outstanding loan is paid off.
- Loan refinancing is not allowed.
- Loans can not be taken on the self-managed Personal Choice Retirement Account's Investments

### If I have a loan outstanding may I transfer monies between participating employers' plans?

- If you have an outstanding loan with the CalPERS 457 Plan and request a transfer of your account to another CalPERS 457 Plan maintained by a participating employer, CalPERS will process the transfer of your unencumbered account balance less the outstanding loan balance payable to the CalPERS 457 Plan.
  - Further transfer requests will not be processed until your loan with the CalPERS 457 Plan has been repaid in full.
- If you have an outstanding loan from any other plan provider maintained by a CalPERS 457 participating employer, CalPERS will accept a transfer of your unencumbered account balance from the other plan, less the amount of the outstanding loan balance payable to the other plan.

### May I use something besides my Plan account as collateral for a loan?

No. A loan may only be secured by an interest in your vested account balance.

## Loan Default

### What happens if I fail to make a scheduled payment?

CalPERS will treat a loan in default if any scheduled repayment remains unpaid after the expiration of the maximum grace period — the last day of the calendar quarter following the calendar quarter in which the required repayment was due, or if there is outstanding principal existing on the loan after the last scheduled repayment date.

### What happens if I enter into default on my loan?

If your loan is defaulted, your vested account balance will be offset by the outstanding loan balance to the extent that a distribution from your account is permissible under the Plan.

- The distribution made for the loan repayment will be reported as earned income and a 1099R will be issued.