

# 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 5<sup>th</sup> 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

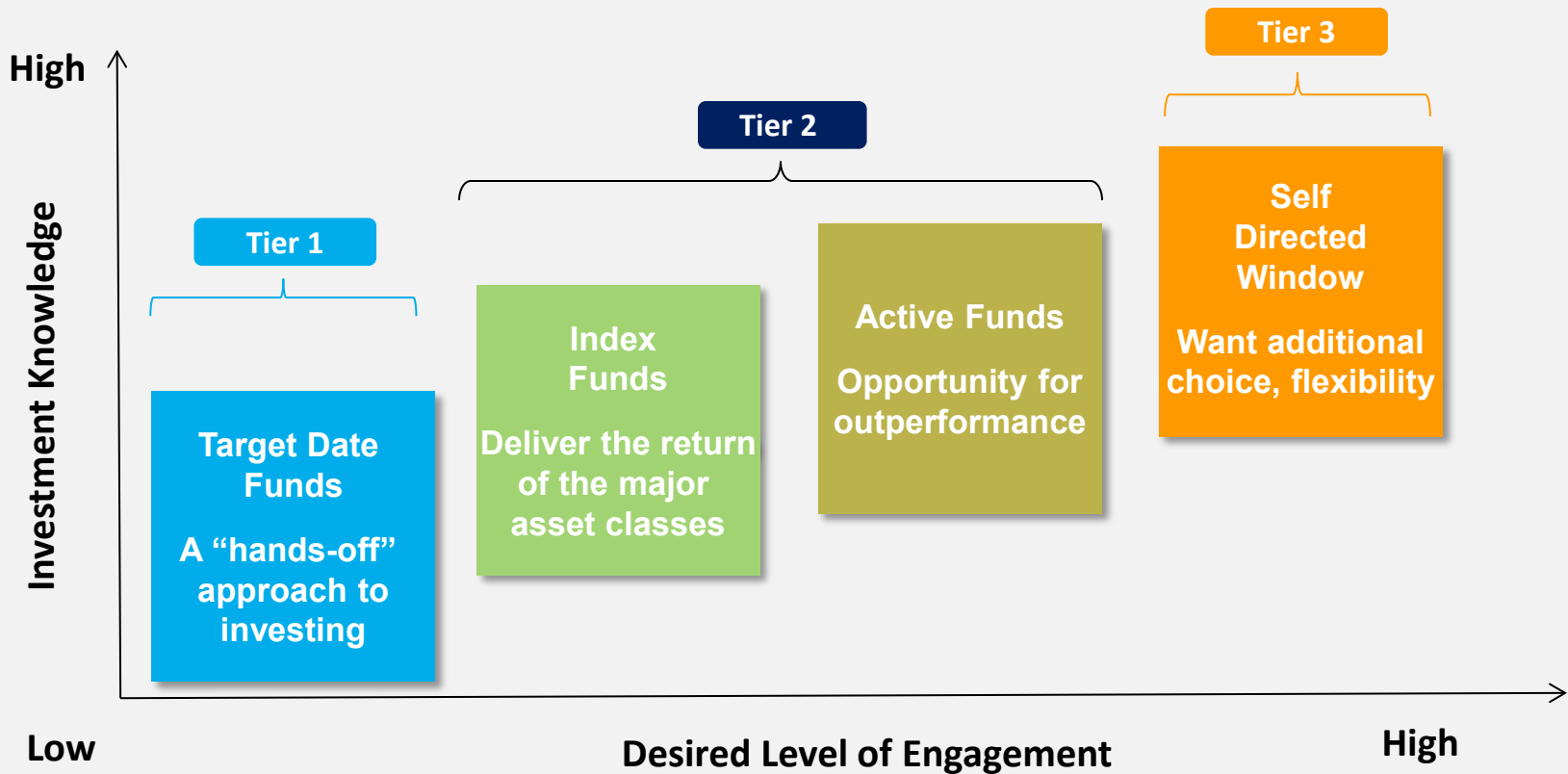
- 1. Enrich Participant Experience and Program Effectiveness**
  - Improve decision making due to less duplication
  - Independent investment education and retirement guidance
- 2. Enhance Value for Faculty and Staff**
  - Control / reduce the expenses paid by participants
- 3. Reinforce Oversight and 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**





# 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

	Account Balance	Average Investment Fee	Average Administration Fee	Total Fee	Annual Participant Savings
<b>Low</b>					
Old	\$50,000	\$259 (0.52%)	\$145 (0.29%)	\$404 (0.81%)	
New	\$50,000	\$200 (0.40%)	\$46 (0.09%)	\$246 (0.49%)	<b>\$158</b>
<b>High</b>					
Old	\$100,000	\$517 (0.52%)	\$290 (0.29%)	\$807 (0.81%)	
New	\$100,000	\$400 (0.40%)	\$46 (0.05%)	\$446 (0.45%)	<b>\$361</b>

\* 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

**CSU** The California State University

[www.calstate.edu](http://www.calstate.edu)

# Workplace Education Series



## Making the Most of Your Workplace Savings Transition

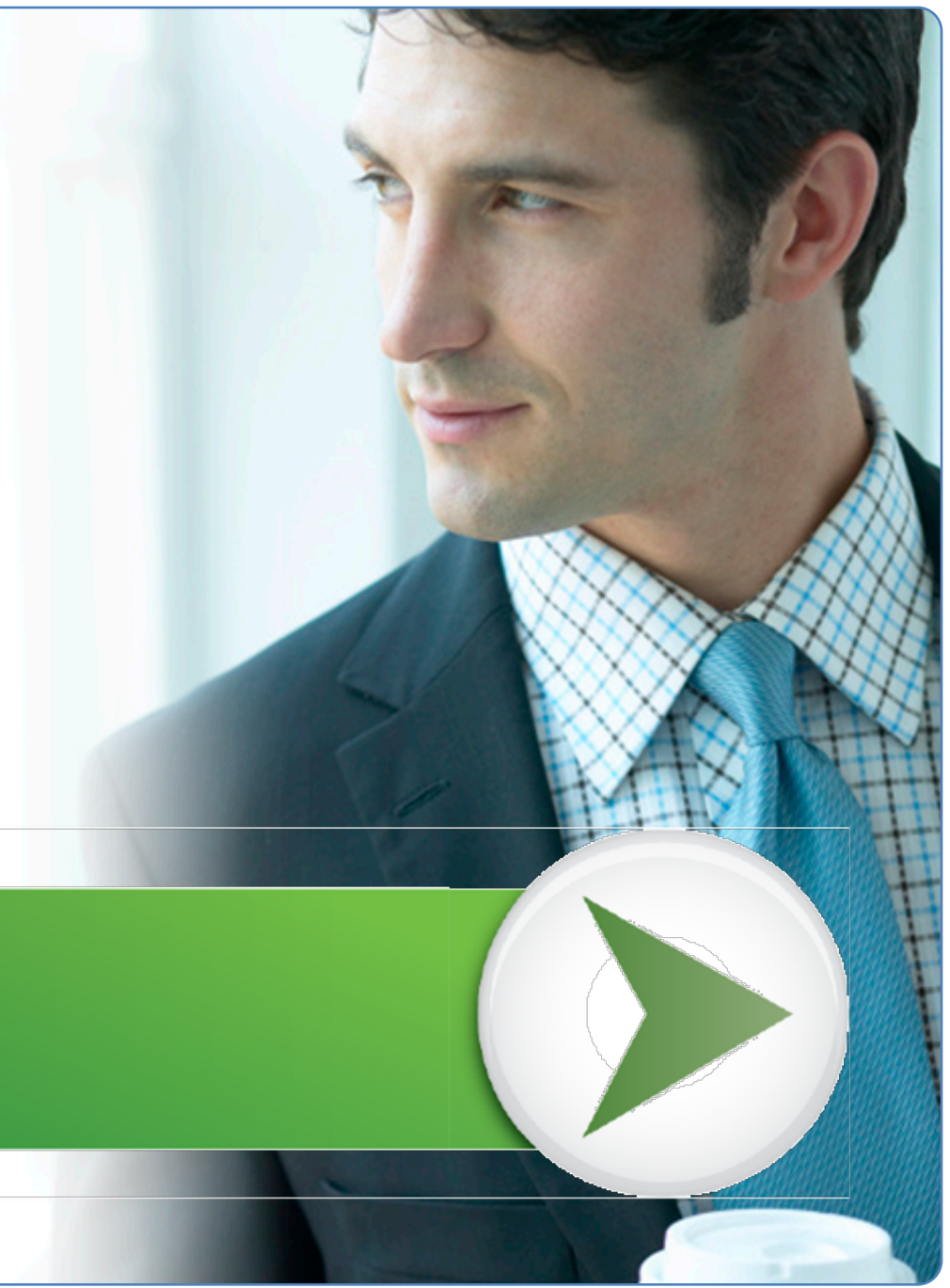




# Plan transition details

## 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





# Key Dates

Activity	Date / Time
<p>Last day to make changes to your contribution amount through the VALIC Retirement Manager application.</p> <p>* 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.</p>	February 5, 2016
<p>Blackout on Contribution Amount Changes Ends</p> <p>*Any changes made after this date will go into effect with the April 29 pay warrant</p>	March 7, 2016
Early Choice Window Opens	March 7, 2016
Early Choice Window Closes	March 28, 2016
Blackout period for directing future contributions begins	March 28, 2016, 1 p.m. PST
<p>Last day to submit a loan, hardship or withdrawal certificate through the VALIC Retirement Manager application</p> <p>* 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.</p>	March 31, 2016
<p>The new fund lineup is live, and any new contributions will be directed to the new lineup</p> <p>* 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.</p>	March 31, 2016
Blackout period for directing future contributions ends; all plan features are live	April 1, 2016

## 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.

Year of birth	Fund Name	Target Retirement Year
1942 and before	Vanguard Target Retirement Income Investor Shares	Before 2008
1943 – 1947	Vanguard Target Retirement 2010 Investor Shares	2008 – 2012
1948 – 1952	Vanguard Target Retirement 2015 Investor Shares	2013 – 2017
1953 – 1957	Vanguard Target Retirement 2020 Investor Shares	2018 – 2022
1958 – 1962	Vanguard Target Retirement 2025 Investor Shares	2023 – 2027
1963 – 1967	Vanguard Target Retirement 2030 Investor Shares	2028 – 2032
1968 – 1972	Vanguard Target Retirement 2035 Investor Shares	2033 - 2037
1973 – 1977	Vanguard Target Retirement 2040 Investor Shares	2038 – 2042
1978 – 1982	Vanguard Target Retirement 2045 Investor Shares	2043 – 2047
1983 – 1987	Vanguard Target Retirement 2050 Investor Shares	2048 – 2052
1988 – 1992	Vanguard Target Retirement 2055 Investor Shares	2053 – 2057
1993 or later	Vanguard Target Retirement 2060 Investor Shares	2058 or later

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

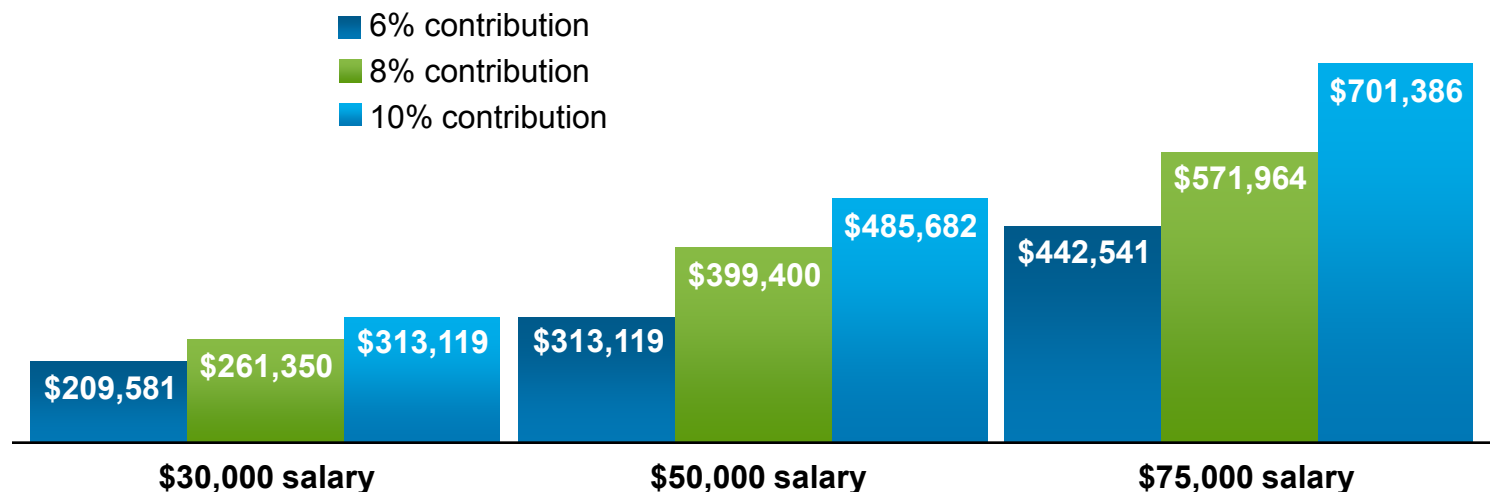
**Once you're at that level, then you can think about other tax-advantaged savings vehicles outside of your workplace savings plan.**

 **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.



# Invest now, thank yourself later

## Growth of investment over 25 years



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

Investment Options	Ticker
Vanguard Target Retirement Income Fund Investor Shares	VTINX
Vanguard Target Retirement 2010 Fund Investor Shares	VTENX
Vanguard Target Retirement 2015 Fund Investor Shares	VTXVX
Vanguard Target Retirement 2020 Fund Investor Shares	VTWNX
Vanguard Target Retirement 2025 Fund Investor Shares	VTTVX
Vanguard Target Retirement 2030 Fund Investor Shares	VTHRFX
Vanguard Target Retirement 2035 Fund Investor Shares	VTTHX
Vanguard Target Retirement 2040 Fund Investor Shares	VFORX
Vanguard Target Retirement 2045 Fund Investor Shares	VTIVX
Vanguard Target Retirement 2050 Fund Investor Shares	VFIFX
Vanguard Target Retirement 2055 Fund Investor Shares	VFFVX
Vanguard Target Retirement 2060 Fund Investor Shares	VTTSX



## Tier 2: Index Fund Investment Options as of April 1, 2016

Investment Options	Ticker
Vanguard Total Bond Market Index Fund Admiral Shares	VBTLX
Vanguard Total International Bond Index Fund Admiral Shares	VTABX
Vanguard 500 Index Fund Admiral Shares	VFIAX
Vanguard Extended Market Index Fund Admiral Shares	VEXAX
Vanguard Total International Stock Index Fund Admiral Shares	VTIAX



## Tier 2: Actively Managed Investment Options as of April 1, 2016

Investment Options	Ticker	Investment Options	Ticker
Vanguard Federal Money Market Fund Investor Class	VMFXX	DFA U.S. Targeted Value Portfolio Institutional Class	DFFVX
VOYA Stabilizer	N/A	Harding Loevner International Equity Portfolio Institutional Class	HLMIX
BlackRock Total Return Fund Class K	MPHQX	Causeway International Value Fund Class Institutional	CIVIX
DFA Inflation-Protected Securities Portfolio Institutional Class	DIPSX	Touchstone International Small Cap Fund Institutional	TNSIX
PRIMECAP Odyssey Growth Fund	POGRX	Schroder Emerging Markets Equity Fund Class Investor	SEMNX
T. Rowe Price Institutional Large Cap Value Fund	TILCX	Dodge & Cox Global Stock Fund	DODWX
William Blair Small-Mid Cap Growth Fund Class I	WSMDX	Cohen & Steers Realty Shares Fund	CSRSX

# Fidelity BrokerageLink<sup>®</sup>

- 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<sup>®</sup>.
- 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





# 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.

Fidelity  
NetBenefits

## Register Now

Welcome!

Register here to get online and phone access to your account.

If you have previously registered with Fidelity.com, NetBenefits, or eWorkplace, you do not need to register again. You can use your existing username and password to access your new account.

Verify Your Identity

All fields are required.

Last 4 Digits of Your SSN

First Name

Last Name

Date of Birth

For illustrative purposes only.

- ▶ **Tip:** Take advantage of interactive tools, calculators, and educational resources available on [NetBenefits.com/calstate](https://www.fidelity.com/netbenefits/calstate).



# 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

DESIGNATION OF BENEFICIARY FORM	
Plan Name: ABC Sample Company	Plan Number: 47220
Social Security Number _____ - _____ - _____	
<b>Participant Information</b>	
<i>Note: Instructions to complete this form are attached at the end of this form.</i>	
Name: _____	_____
Address: Last _____ First _____ Middle Initial _____	
Street _____	
City _____ State _____ Zip _____	
Marital Status: Single <input type="checkbox"/> Married <input type="checkbox"/>	
<b>Primary Beneficiary</b>	
I understand that if I am married, my spouse shall automatically be my designated Beneficiary unless I elect otherwise and my spouse consents to such election. I hereby designate the following person or persons as primary Beneficiaries of my Account under the Plan payable in the event of my death.	
Name: _____	Name: _____
Social Security Number: _____	Social Security Number: _____
Address: _____	Address: _____
Date of Birth: _____	Date of Birth: _____
Relationship to Participant: _____	Relationship to Participant: _____
Percentage: _____	Percentage: _____
The total of the percentages cannot exceed 100%. When more than one Beneficiary is designated, and no percentage is specified, payment will be made in equal shares to each surviving Beneficiary, or all to the last surviving Beneficiary.	
<b>Contingent Beneficiary</b>	
In the event that there is no living primary Beneficiary at my death, I hereby designate the following person or persons as contingent Beneficiaries of my Account:	
Name: _____	Name: _____
Social Security Number: _____	Social Security Number: _____
Address: _____	Address: _____
Date of Birth: _____	Date of Birth: _____
Relationship to Participant: _____	Relationship to Participant: _____
Percentage: _____	Percentage: _____
The total of the percentages cannot exceed 100%. When more than one Beneficiary is designated, and no percentage is specified, payment will be made in equal shares to each surviving Beneficiary, or all to the last surviving Beneficiary.	
<b>Participant Signature</b>	
I reserve the right to revoke or change any Beneficiary designation. I hereby revoke all my prior designations (if any) of primary and contingent Beneficiaries.	
PARTICIPANT _____	DATE _____
Married Participant: please see below:	



# 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.

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