Bridging the Retirement Gap, with the CalPERS Supplemental Income 457 Plan

Are you building a bridge, or looking at the Grand Canyon?

Retirement’s about knowing what you want — and taking the right steps to get there.

Bridging the Retirement Gap, Utilizing 457 and 403(b) Plans to Reach Your Retirement Goals

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- CalPERS is not a member of the Voya family of companies.

Who does the CalPERS 457 plan cover?

Employees of agencies that have adopted the CalPERS 457 plan, to include:
- CalPERS
- CalSTRS
- Educators
  - Teachers / Professors - Certificated
  - Non-Certificated employees of School / College Districts (Not employed by the State of CA)
- Full or part-time employees of non-state government agencies.
- Currently contributing to 403B or another 457

How much Money will you Need for Retirement

- Industry experts recommend 80% of your current income.*
- If your current annual income is $50,000 you will need approximately $40,000 each year to maintain your standard of living in retirement
- Where do you start?

* Kiplinger’s Personal Finance, October 2014
CalPERS or CalSTRS Pension

- Defined Benefit Program
  - Years of Service
  - Age at Retirement
  - Final Compensation

Examples:
- 2% @ 60 (Classic Formula)
  - 2% of your average salary for each year of service at age 60 or later
  - 25 years of Service X 2% = 50%
- 2% @ 62 (PEPRA Formula)
  - works the same but full retirement benefits start at age 62 or later

How to Bridge the Gap

- Social Security - if contributing
- Outside Investments
- The most overlooked source of retirement income is a
- Defined Contribution Plan
  - A 457 and/or 403B plan

457 vs 403(b) Comparison

- Similarities
<table>
<thead>
<tr>
<th>457</th>
<th>403b</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Tax Contributions</td>
<td>Yes</td>
</tr>
<tr>
<td>Tax Deferred Growth of earnings</td>
<td>Yes</td>
</tr>
<tr>
<td>Reduction to Adjusted Gross income</td>
<td>Yes</td>
</tr>
<tr>
<td>Available to Both PERS and STRS employees</td>
<td>Yes</td>
</tr>
</tbody>
</table>

- Difference
<table>
<thead>
<tr>
<th>457</th>
<th>403b</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early Withdrawal Penalty – if distributions made prior to 59</td>
<td>No – if separated from service</td>
</tr>
</tbody>
</table>

457 vs 403(b) Comparison

- Roth and Loan Options, Special provisions
<table>
<thead>
<tr>
<th>457</th>
<th>403b</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roth option</td>
<td>Yes – if adopted by employer</td>
</tr>
<tr>
<td>Conversion option from pre-tax to Roth</td>
<td>Yes – if adopted by employer</td>
</tr>
<tr>
<td>Loans</td>
<td>Yes – if adopted by employer</td>
</tr>
<tr>
<td>Unexpected Emergency Withdrawal provisions</td>
<td>Yes</td>
</tr>
<tr>
<td>Rollover of other retirement plans (IRA, 401(k), 403(b), 457(b))</td>
<td>Yes</td>
</tr>
</tbody>
</table>
How does your 403(b) compare?

- Know your Plan Costs / Fees

<table>
<thead>
<tr>
<th>TPA used for administration</th>
<th>No usually</th>
</tr>
</thead>
<tbody>
<tr>
<td>Full service program / On-Site representation at no cost to you</td>
<td>Yes ?</td>
</tr>
<tr>
<td>Fees clearly disclosed and transparent</td>
<td>Yes ?</td>
</tr>
</tbody>
</table>

What Fees are associated with my 457

- Effective 7/1/20, CalPERS has lowered their costs to a range between .31% and .44% based on investment choice.
- This is a reduction from a range between .40% and .55%
- Representing an average overall reduction of more than .11%

Understanding the Impact of Fees

- CalPERS understands that low costs are essential to successful long-term investing for retirement.
- Cost is referred to as an “expense ratio.” The expense ratio represents your cost to participate in the CalPERS 457 Plan.
- Expense ratios are expressed as a percentage, but can also be explained in terms of “basis points.”
  - 1 basis point (“bps”) equals 0.01% (or 0.0001).
  - If expense ratio is 0.32% or 32 basis points and your current balance is $10,000
    - $10,000 balance x 0.32% = $32.00 for the year.
    - The annual cost is prorated from your account daily based on your account value.

What Fees are associated with my 457

See the savings at work

- The reduced costs in the CalPERS 457 Plan could have a big savings impact because more of the invested dollars stay in your account. Over time, you could have more saved for your retirement.
- Example: $50,000 starting balance.
  - $100 bi-weekly (26-pay periods)
  - Target date fund
  - Fee of .44% reduced to .32%
  - 6% return
Deferral Limits for 2022
You can contribute to both

- Normal Contribution Limit: (Total of both Pre-Tax and Roth Contributions)
  - $20,500
- Age 50 Catch-Up Limit:
  - $27,000 = 6,500 + 20,500
- Three Year Catch-Up Contribution Limit*:
  - $41,000 = 20,500 + 20,500
  - * for 457 (other catch up available on 403b)

Money taken from the plan will be taxed as ordinary income in the year the money is distributed.

Traditional 457 vs New Roth 457 Examples

Jeff – (Age 45) In Peak Earning Years

<table>
<thead>
<tr>
<th>Comparing Jeff’s options:</th>
<th>Traditional 457 Plan (Pre-Tax)</th>
<th>Roth 457 Option (After-Tax)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Income:</td>
<td>$75,000</td>
<td>$75,000</td>
</tr>
<tr>
<td>Annual Salary Available to Save:</td>
<td>$10,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Less Taxes at 25%:</td>
<td>-$0</td>
<td>-$2,500</td>
</tr>
<tr>
<td>Net Yearly Contribution:</td>
<td>$80,000</td>
<td>$72,500</td>
</tr>
<tr>
<td>Total Contributed Over 20 Years:</td>
<td>$250,000</td>
<td>$230,000</td>
</tr>
<tr>
<td>Contribution Value at Retirement (assuming 5% return):</td>
<td>$575,000</td>
<td>$525,000</td>
</tr>
<tr>
<td>Less Taxes at 15%:</td>
<td>-$56,736</td>
<td>-$40,979</td>
</tr>
<tr>
<td>After-Tax Value:</td>
<td>$321,264</td>
<td>$481,020</td>
</tr>
</tbody>
</table>

Traditional 457 vs New Roth 457 Examples

Linda – (Age 27) Just starting out

<table>
<thead>
<tr>
<th>Comparing Linda’s options:</th>
<th>Traditional 457 Plan (Pre-Tax)</th>
<th>Roth 457 Option (After-Tax)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Income:</td>
<td>$35,000</td>
<td>$35,000</td>
</tr>
<tr>
<td>Annual Salary Available to Save:</td>
<td>$3,000</td>
<td>$3,000</td>
</tr>
<tr>
<td>Less Taxes at 15%:</td>
<td>-$480</td>
<td>-$480</td>
</tr>
<tr>
<td>Net Yearly Contribution:</td>
<td>$41,000</td>
<td>$2,520</td>
</tr>
<tr>
<td>Total Contributed Over 40 Years:</td>
<td>$750,000</td>
<td>$702,000</td>
</tr>
<tr>
<td>Contribution Value at Retirement (assuming 5% return):</td>
<td>$1,550,000</td>
<td>$1,400,000</td>
</tr>
<tr>
<td>Less Taxes at 35%:</td>
<td>-$187,815</td>
<td>-$240,040</td>
</tr>
<tr>
<td>After-Tax Value:</td>
<td>$320,185</td>
<td>$406,960</td>
</tr>
</tbody>
</table>
**Start Early**

| Start Age | Amount Deferred  
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>$25 = $50 per month</td>
<td>$54,695</td>
</tr>
<tr>
<td>35</td>
<td>$25 = $50 per month</td>
<td>$25,143</td>
</tr>
<tr>
<td>45</td>
<td>$25 = $50 per month</td>
<td>$8,913</td>
</tr>
</tbody>
</table>

Total Saved (by age 55*):

| Start Age | Amount Deferred  
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>25</td>
<td>$100 = $200 per month</td>
<td>$218,779</td>
</tr>
<tr>
<td>35</td>
<td>$100 = $200 per month</td>
<td>$100,571</td>
</tr>
<tr>
<td>45</td>
<td>$100 = $200 per month</td>
<td>$35,653</td>
</tr>
</tbody>
</table>

Assumptions:
- Regular bi-weekly contributions and a hypothetical average annual growth rate of 6%. (26 pay periods)

Note: This calculation is for educational purposes only. The hypothetical 6% annual growth rate is for illustrative purposes only and does not represent past or future performance of any specific investment. All figures are rounded to the nearest dollar. This slide should not be the only basis for making a financial decision.

**457 Distributions**

- Stay with us in Retirement.
- No Early Withdrawal Penalties
- Distributions Options (upon a qualifying event)
  - Monthly, Quarterly, Semi-Annually
  - As needed, no need to withdraw until you are required to do so under the IRS Required Minimum Distribution (RMD) rules.
- Distributions from Pre-Tax contributions are taxed as ordinary income when received.
- Distributions from Roth post-tax contributions and earnings are not subject to ordinary income tax when received.
Assessing Your Investment Strategy

- Time Horizon
- Risk vs. Reward
- Asset Allocation & Diversification

CalPERS 457 Help-Me-Do-It
Target Retirement Date Funds — A diversified portfolio in a single fund.

Funds that Evolve Over Time

CalPERS 457 Do-It-Myself
Core Funds — A carefully selected list of passively managed investment options.

Core Funds

<table>
<thead>
<tr>
<th>Index Fund</th>
<th>Asset Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>Siga U.S. Government Short Term Investment Fund</td>
<td>Cash-Equivalent</td>
</tr>
<tr>
<td>Siga Real Asset Fund</td>
<td>Inflation Protection</td>
</tr>
<tr>
<td>Siga U.S. Short-Term Government Credit Bond Index Fund</td>
<td>Bond</td>
</tr>
<tr>
<td>Siga U.S. Bond Index Fund</td>
<td>Bond</td>
</tr>
<tr>
<td>Siga Russell All-Cap Index Fund</td>
<td>U.S. Stocks</td>
</tr>
<tr>
<td>Siga Global All-Cap Equity or U.S. Index Fund</td>
<td>Global Stocks</td>
</tr>
</tbody>
</table>

Prior to making any investment decisions you should carefully review all fund information. This presentation is for general education purposes only and does not, "nor is it intended to constitute legal, tax, investment or financial advice." To the extent that you need any such advice you are encouraged to speak with your legal, tax or investment advisor.
What is the Self-Managed Account (SMA)?

- Brokerage Option
- Schwab Personal Choice Retirement Account® (PCRA).
- Increased flexibility in choosing your own investments
- Access to thousands of different mutual funds from hundreds of fund families
- At an additional cost

myOrangeMoney® Experience

- View the retirement income your current savings (and other sources) could provide
- Adjust retirement age, contribution rate and projected rate of return sliders to see how your estimated future income might change
- View potential healthcare costs in retirement
- View your account balance and rate of return
- View your asset allocation, balance history and current fund performance

Full-Service Program

- Dedicated Account Managers available for appointments
  - www.calpers457.timetap.com
  - 1-888-713-8244
- Toll Free 24/7 Telephone Access
  - 1-800-260-0659
- Internet Access
  - www.calpers457.com
- Quarterly Statements
How to Enroll

• Complete:
  – Employee New Enrollment Form
  – Decide how much to contribute and whether it's Pre-Tax and/or Post-Tax
  – Beneficiary Designation Form
• Submit forms to your employer’s HR/ Payroll department
• Go to www.calpers.voya.com after you receive your PIN in the mail to set up your personal log-on and password.

Key Contact Information

• Nancy Garrity (888) 713-8244 extension 2
• Customer Service - 1-800-260-0659
• www.calpers457.com
• www.calpers457.timetap.com
• Individual appointments available as well as group meetings for your agency or department.

CalPERS 457 Plan

Thank you!
Nancy Garrity
Account Manager
CalPERS Supplemental Income 457 Plan
888-713-8244 ext.2
Nancy.Garrity@voya.com

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