

HORIZONS

FOCUS ON THE “NEW” STIF

In the 3rd quarter 2010 *NewsLine* “Fund Changes in November” article, we told you about the change to the Short Term Investment Fund (STIF). In November, the STIF changed from a “stable value” to a short-term duration bond strategy. In addition to this article, we updated the STIF fund fact sheet to reflect the new short duration strategy and posted it to the Savings Plus website in October.

Since this change in the STIF strategy, some participants have called to find out why the STIF fluctuates in value, up one day and down the next. The answer to that is easy: The STIF is no longer “wrapped,” the process used by the wrap providers (insurance companies) to stop the daily value from fluctuating.

Our investment consultant, RV Kuhns, recommended a change in strategy. The former stable value strategy wasn’t in the best interest of most of our participants. Instead, a short duration bond fund is a better match for conservative investors who want principal preservation with less risk than our stock funds and broader market bond funds.

For participants who want to avoid fluctuations in the value of their accounts, we offer the STIF-Cash fund, also mentioned in the article. The STIF-Cash won’t fluctuate like the STIF because of the underlying investments: ultra short-term government bonds and FDIC-backed bank securities, like certificates of deposits. However, the STIF-Cash rate of return over a longer-term investment period will generally be lower than the STIF.

To learn more about the STIF, read the STIF fund fact sheet. Additionally, you should consider the value of bond funds within your portfolio. See “FOCUS on the “new” STIF” on page 2 for some general things to think about when you invest in bonds.

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DIVERSIFIED REAL RETURN FUND

Get ready for the Diversified Real Return Fund to join our investment lineup on May 7. Consider this fund as a part of your portfolio if you’re a moderate investor who desires a hedge against inflation with investments such as commodities, dedicated real assets, global tactical asset allocation, and treasury inflation-protection securities.

Download the fund fact sheet from our website **SPPforu.com**. Select “fact sheets/prospectuses” under Quick Links.

*Before investing in a fund, carefully consider its investment objectives, risks, and charges and expenses. The fact sheets and prospectus contain this and other important information. Read them carefully before investing. You can access fact sheets and prospectuses on our website SPPforu.com or by calling (866) 566-4777 (press *0).*

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CALIFORNIA STATE TAX WITHHOLDING REQUIRED

The State of California requires State tax withholding on retirement plan distributions for California residents unless you elect not to have taxes withheld. If you wish to receive payments from Savings Plus with no California State taxes withheld, complete a California State Tax Withholding Form (DE 4P), located on our website under “forms and publications.” Return the completed form to Nationwide:

FAX
(877) 677-4329

-or-

MAIL
Nationwide
Retirement Solutions
PO Box 182797
Columbus, OH 43218

You don't need to complete a new DE 4P for each distribution request. Once you submit the completed form, it remains in effect until you submit a new DE 4P.

FOCUS ON THE “NEW” STIF *Continued from page 1*

Things to consider when investing in bonds

Risks

- Although bonds are less volatile than stocks, they can still fluctuate considerably at turning points in the economy. As the economy improves, bond prices could suffer as investors begin to move more money back into the stock market.
- When interest rates rise, driven by the Federal Reserve Bank, bond funds will lose value in the short-term until interest rates stabilize.
- Treasury bonds may fall in value more than other types of bonds as the economy improves and investors ease out of a “crisis mindset.” The STIF holds U.S. Treasury bonds and these may lose value sharply under a positive economy.
- Inflation poses another worry for bonds. Interest rates might rise as investors demand a higher return to compensate for inflation. The prices of existing bonds would adjust downward accordingly.

Strengths

- Most bond funds have risen in value over the past few years for this reason: The outlook for the economy is unstable and some economists don't see an easy way out of the massive debt incurred by the Federal government.
- U.S. Treasury bonds tend to perform the best during an economic crisis. Although stock and bond prices can move in the same direction, U.S. Treasury bonds tend to be more protected from a bear market than many other types of bonds.
- Historically, in a weak economy, inflation will stall or turn to deflation.
- However you invest, learn more about your investments and the funds we offer. Use the educational information we provide on our website under the “investment choices” tab.

TAKE ADVANTAGE OF YOUR PAY INCREASE

Have you noticed an increase in your take-home pay the past couple of months? Perhaps it's the reduced Social Security withholding. Maybe you're no longer subject to furloughs, or you received an MSA. Whatever the reason, use the increase to help build your retirement savings.

Contribute your extra income pre-tax into Savings Plus. You'll reduce your taxable income while you work and build up your retirement savings account.

QUARTERLY QUOTE

“My advice to State of California employees would be, regardless of whether you’re 20 years old or 55 years old, it’s never too late to start. Just start now — even if it’s only \$100 a month — because it’s going to add up. Having that supplemental income in retirement will make all the difference in the world to you.”

Jan — Retiree, Sacramento

The ideas or opinions expressed by this participant may not be the experience of every participant.



NEW EXCESSIVE TRADING POLICY EFFECTIVE MAY 1

Excessive trading (also known as market timing) means buying and selling investments frequently in an attempt to profit from discrepancies between a fund’s price and the value of the underlying holdings. This practice increases fund expenses, which results in higher fees and worse fund performance for all shareholders invested in the fund.

To protect our participants from the negative effects of market timing, our excessive trading policy limits you to no more than two trades per month in the International Fund and the International Index Fund. We review trade activity for each account holder and take into account both the 401(k) and 457 plan accounts.

“We monitor participant trade activity and will restrict future trade activity for participants who violate the trade policy.”

Upon first violation, we send a warning letter. If you violate the policy a second time, we’ll indefinitely prevent you from future electronic and same-day trade activity for that fund. Once restricted, you won’t be allowed to exchange into or out of the restricted fund through the website, Voice Response System, or via a customer service representative.

Instead, you’ll need to send a written transaction request to Nationwide Retirement Solutions via the U.S. Postal Service. The letter must include a contact phone number so that Nationwide staff can confirm the exact instructions provided in the letter. The requirement to send a letter discourages excessive trading because you can’t time the market if you need to wait a few days for your trade to occur.

Ongoing deferrals deducted from your pay don’t count toward the two-trade limit.

This restriction is intended to curb the excessive trading habits of a small minority of participants and won’t affect the majority of participants who practice sound long-term investing strategies.

RETIREES’ CORNER

Are you a retired State of California employee looking for work during retirement? If so, you might want to check out boomerang.ca.gov, the State’s retired annuitant website.

As a retired annuitant (also known as Rehired Annuitant), you can work up to 960 hours in a fiscal year (July 1 through June 30) without losing CalPERS retirement benefits. Plus, you can contribute to Savings Plus if you’re:

- Paid via a State Payroll System;
- Separated for at least 60 days;
- and*
- Not currently receiving any periodic payment distributions from a Savings Plus account.

Note: If you’re age 70½ or older, an annual Required Minimum Distribution may be required.

Visit SPPforu.com to obtain the Enrollment Booklet for Rehired Annuitants (under “forms and publications”) or call a customer service representative at (866) 566-4777 (press *0) Monday - Friday, 8:30 AM to 4:00 PM (PT) to have the booklet mailed to you.

To increase your deferral online:

- Visit SPPforu.com
- Log in to your secure account
- Select the “Deferral Change” left navigational link
- Type your new deferral amount and gross yearly salary
- Click “submit”
- Click “submit” on the next page to confirm the transaction

NATIONAL FINANCIAL LITERACY MONTH

April is National Financial Literacy Month. To help you establish good financial habits, Savings Plus encourages you to think about your current life circumstances, your retirement goals, and your financial future.

- **Current life circumstances** – Your life circumstances are unique to you. Perhaps you have large expenses you can't cut out of your budget, such as mortgage, car payment, day care expenses, or college tuition. Think about how you can reduce your discretionary spending now to reach your goal — retirement on your terms.
- **Retirement goals** – How much will you need? It can be tricky to figure out how much of your current income you'll need to live on when you retire. That's why we provide the Interactive Retirement Planner on our website under "planning tools." Based on criteria you enter, the calculator determines a potential retirement income gap and provides options to help fill that gap.
- **Financial future** – How do you fill that gap to reach your goals? If you have time on your side, increase your contributions and take advantage of compounding. If you're set to retire soon and have some leave pay to cash out, consider investing a portion of it in your account to increase your retirement savings account balance and mitigate a large tax liability at the same time. To learn more about transferring your unused leave payment, visit the "retirement planning" tab on our website.

Knowledge is the key to a sustainable financial future. So take ownership of your future by learning and taking action now. Check out these online resources* to learn more about financial literacy:

- financialliteracymonth.com
- 360financialliteracy.org
- jumpstart.org
- financiallit.org

Neither Savings Plus nor Nationwide endorses these websites.

ONLINE MAKEOVER

In early May, you'll notice a change when you log in to your secure online account. The layout will look familiar because it resembles your quarterly statement. You'll have access to more detailed account information with these new "view" options:

- **Account Activity** – Provides a summary of your activity for a stated time period
- **Investments By Shares** – Shows (in units) buys/sells and unrealized gains/losses for each of your funds
- **Deferral Elections** – Identifies the funds and percentages for your existing deferrals
- **Graphically** – Uses a pie chart and legend to display a summary of your portfolio and deferral elections
- **Investments By Dollars** – Shows (in dollars) buys/sells and unrealized gains/losses for each of your funds
- Those who take distributions will also have access to detailed payment information.

These new features will make it easier for you to track and to manage your retirement savings account. Let us know what you think. Go to SPPforu.com and submit your feedback by email on the "contact us" page.



401(K) PLAN DISTRIBUTIONS UPDATE

In the 4th Quarter 2010 *Horizons*, we misstated the eligibility for 401(k) plan distributions in the Retirees' Corner article. We should have stated:

401(k) Plan – You're eligible to receive payment without penalty if (1) you separated from State service during or after the year you turned age 55 or (2) you're at least age 59½ regardless of your employment status.



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Department of
Personnel Administration
Savings Plus Program

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Customer service representatives are registered with
Nationwide Investment Services Corporation, member FINRA.

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