

Revision Date: October 2016 Public Agency & Schools Reference Guide

Chapter: Education and Other Resources

Section: CalPERS Supplemental Income 457 Plan

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Legend: Deleted/Replaced – Added/Revised

~~Deferred compensation is an employer-sponsored benefit that allows employees of an employer to defer a portion of pre-tax salary and direct how the deferral is invested. Both the deferral and the earnings on investment are shielded from income tax until the money is taken, usually in retirement.~~

~~Legislation enacted in 1991 (G.C. sections 21670 and 21671) granted the CalPERS Board authority to develop a deferred compensation program to offer to public agencies and their participating employees. This authority allows CalPERS to offer any federally sanctioned retirement savings plan, including a deferred compensation plan qualified under Section 457 of the Internal Revenue Code.~~

~~After three years of research and development, CalPERS developed a program that leverages the economies of scale inherent in the \$250 billion public retirement system. The CalPERS 457 Program provides state-of-the-art deferred compensation services at a low cost to participating public employees. All assets are held in trust for the exclusive benefit of participants by the CalPERS Board.~~

PROGRAM FEATURES

- ~~• Full trust protection~~
- ~~• Investment options designed specifically for retirement savings and managed under CalPERS supervision~~
- ~~• State-of-the-art customer services~~
- ~~• Comprehensive administrative services including custody, recordkeeping, management, and marketing~~
- ~~• A simplified fee structure~~

CORE INVESTMENT OPTIONS

- ~~• Money Market Fund~~
- ~~• Stable Fixed Income Fund~~
- ~~• Bond Fund~~
- ~~• Actively Managed, Large Cap Equity Fund~~
- ~~• S&P 500 Equity Index Fund~~
- ~~• Actively Managed, Small Cap Equity Fund~~
- ~~• Russell 2000 Equity Index Fund~~
- ~~• International Equity Fund~~
- ~~• Asset Allocation Fund~~

~~The funds are invested by a combination of in-house staff and external investment managers currently affiliated with the retirement system. This capitalizes on CalPERS economies of scale by employing the investment management expertise of CalPERS staff, augmented by the use of external investment managers under CalPERS supervision. This allows the program to offer institutionally managed funds with significantly lower management fees, compared to retail mutual funds, and pass those savings along to participants. It also gives CalPERS overall control over the program and management of the funds.~~

~~FDIC-insured bank certificates of deposit (CDs) and access to over 5,000 retail mutual funds through a self-managed brokerage account (SMA) are also offered.~~

State Street Bank and Trust has been retained as the program administrator to provide custody, recordkeeping and general administrative services, including marketing, communications, enrollment, and customer service. Plan services are state-of-the-art and include:

- Daily processing and daily fund transfer capabilities.
- Live customer service representatives with full access to online information.
- Automated Voice Response System and Internet access allows transactions 24 hours a day to make changes to investments.
- Contributions and enrollments can be changed if the agency's payroll is automated.
- Educational and promotional materials for the employer and employee.
- Service representatives available to conduct meetings and enroll or counsel participants and employers at the employer's location.

The fee structure (G.C. sections 21675 and 21677) for the program is simple with no hidden charges. There are no front or back-end sales charges, transaction charges, or fixed fees. Depending on the specific investment funds selected by an individual, most participants will pay total fees of less than 1 percent.

Administration Fees:		
	Plan Administration Fee:	.26% of assets

Investment Advisory Fees:		
	Stable Fixed Income Fund	.25% of assets
	Money Market Fund:	.29% of assets
	Bond Fund	.29% of assets
	S & P 500 Equity Index Fund	.09% of assets
	Large Cap Equity Fund	.63 % of assets
	Russell 2000 Equity Index Funds	.23% of assets
	Small Cap Equity Fund	.68% of assets
	International Equity Fund	.68% of assets
	Asset Allocation Fund	
	Conservative Portfolio	.6795% of assets
	Moderate Portfolio	.6443% of assets
	Aggressive Portfolio	.6696% of assets
Investment Management Subtotal		.09% to .68%

For any questions and more information on the Deferred Compensation Program, please call the CalPERS Information Line at 1-877-557-3655 to speak to a Participant Service Representative.

The CalPERS Supplemental Income 457 Plan (CalPERS 457 Plan) is a deferred compensation plan administered by CalPERS for public agency and school employers and their employees.

It provides employees a low-cost, convenient way to save for retirement through payroll deductions. There is no cost to your agency and it's an added benefit that your employees will feel good about.

CalPERS administers the 457 Plan for over 760 agencies throughout California, with record keeping and participant education services provided by Voya®, the fifth-largest defined contribution plan record keeper in the nation.

When you sign up for the CalPERS 457 Plan, we take care of the rest. CalPERS:

- Acts as the trustee of your employees' deferred compensation assets

- Leverages existing payroll deduction feeds into myCalPERS to receive your employees' CalPERS 457 Plan deferrals and loan repayments
- Manages service levels with administrative service providers
- Monitors contribution limits
- Selects the investment line-up options

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

BENEFITS TO EMPLOYEES

- The convenience of saving for retirement through payroll deduction.
- A competitively priced plan, with total fund expenses of 0.40% - 0.55%.
- A proprietary lineup of core institutional investments including Target Retirement Date Funds specifically designed for public employees based on the latest research in portfolio theory and behavioral finance.
- Financial education and support by licensed experienced local representatives.

LOW FEES

CalPERS understands that low costs are essential to successful long-term investing for retirement. The 457 Plan's "all-in" fee structure is simple, fair and includes all administrative/recordkeeping fees as well as investment fees. To keep fees as low as possible, CalPERS does not engage in revenue sharing or administrative expense reimbursement. And CalPERS keeps close tabs on the industry to assure fees remain competitive.

INSTITUTIONAL FUNDS

To provide a simpler approach to investing, the 457 Plan offers a streamlined lineup of investment options. CalPERS has selected six index funds in different asset classes that serve as the 457 Plan's core funds. These funds also comprise the 457 Plan's target retirement date funds which offer a diversified portfolio in one fund. Participants select a fund, and CalPERS manages the asset allocation of each fund. Participants who prefer to select and manage their asset allocation instead of picking a target retirement date fund can choose among the 457 Plan's core funds. A self-directed brokerage option is also available to participants at contracting agencies that have adopted the Self-Managed Account provision. This is for experienced investors through Schwab's Personal Choice Retirement Account[®] (PCRA).

PARTICIPANT EDUCATION

Our regional account managers support your employees and retirees with on-site and online education services, including one-on-one appointments, upon request. We can also help your employees coordinate their 457 Plan account with other retirement benefits. The 457 Plan delivers additional value with the latest in financial education, plus planning and investing tools from Voya[®]. Participants can access their accounts, education and tools 24/7 using the 457 Plan website, toll free telephone number and mobile devices.

For information on how to adopt the CalPERS 457 Plan as an agency, visit the CalPERS 457 Plan Employer Resource Center at www.calpers-sip.com, or call us toll free at (800) 696-3907 to speak with a representative.

For information on how to enroll in the CalPERS 457 Plan as a participant, contact your agency benefits coordinator to obtain the CalPERS 457 Plan participant enrollment kit or call toll free (888) 713-8244 to discuss enrollment with a regional account manager.

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Section: California Employers' Retiree Benefit Trust (CERBT) Fund

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The California Employers' Retiree Benefit Trust (CERBT) Fund is an investment vehicle that can be used by **all eligible** California public employers, ~~including State agencies to prefund future retiree health and~~ Other Post Employment Benefits (OPEB) ~~costs~~ **such as health, vision, dental and life insurance.**

OVERVIEW

The CERBT Fund is **an agent multiple-employer OPEB trust plan administered by CalPERS, a California State agency, in compliance with Internal Revenue Code (IRC) Section 115 and with Governmental Accounting Standards Board (GASB) Statements. CERBT is an investment vehicle dedicated to prefunding OPEB for all eligible California public agencies, even for those with no other relationship with CalPERS.** ~~Trust set up for the purpose of receiving employer contributions that will prefund health and other post-employment benefit costs for retirees and their beneficiaries. By joining this trust fund, California public employers can help finance future OPEB costs in large part from the investment earnings provided by CalPERS. Since its launch in 2007, more than 490 California public employers chose CERBT as their OPEB trust fund. Just as earnings from invested retirement contributions cover \$3 of every \$4 spent in pension benefits, the CERBT intends to generate investment earnings to apply toward OPEB obligations.~~

WHY PREFUND?

- **Contributes to preserving a positive credit rating.** ~~Prefunding enables you to make actuarially determined periodic contributions to partially or completely fund your future obligations.~~
- **Generates investment income from employer controlled contributions to pay for future retiree benefits.** ~~Enhances financial security for retirees.~~
- **Reduces future employer cash flow requirements and budget dependency with investment.** ~~Earnings on assets reduce employer contributions.~~
- **Reduces OPEB liabilities reported on employer annual financial statements.** ~~May prevent your net OPEB obligation from becoming a significant liability on your balance sheet.~~
- ~~Can contribute to a positive credit rating.~~

BENEFITS OF INVESTING WITH THE CERBT FUND ~~CALPERS~~

As one of the nation's largest public employer OPEB trust funds, we strive to sustain retiree health benefits. We do so by delivering an uncomplicated, low cost investment and administration program, **high-quality service, compliance reporting, and education about the value of prefunding retiree healthcare benefits.**

- **Personal direct service and support** ~~80 years' experience in administering employer-sponsored pension plans for public employees since 1932.~~
- **Financial reporting compliant with governmental accounting standards** ~~CalPERS is the largest public pension system in the U.S., managing more than \$200 billion in assets for more than 3,000 California employers and a history of exceptional risk-adjusted investment performance.~~
- ~~CalPERS has an outstanding record of investment performance. Over the past 20 years, CalPERS has averaged a 10 percent rate of return on our investments.~~
- ~~Low administrative fees.~~
- ~~As an agency of the State of California, CalPERS is required to cover all operational costs and to retain no profit. We seek to provide the lowest cost service to all participating agencies, irrespective of size or financial resources. For these reasons, the CalPERS OPEB trust is organized to charge a~~

single cost rate to all participating agencies. The cost charged to participating employers is based on the average daily balance of assets.

- ~~Dedicated employer service specialists and quality customer service.~~
- ~~CalPERS has a seasoned team of investment professionals with a proven track record and is dedicated to meeting the needs of our participants and beneficiaries, while minimizing the cost to employers~~
- All services provided at a single, low cost
- Assistance with GASB compliance and financial reporting
- Investment management by experts at CalPERS and internationally renowned consultants
- No revenue sharing agreements, surrender/withdrawal/deferred sales charges, investment performance charges, or minimum fee requirement
- Simple straightforward administrative procedures

~~INFORMATION FOR NON-PEMHCA AGENCIES~~

~~AB 554 (Chapter 318, statutes of 2007) became law on January 1, 2008. California public employers can join the CERBT to prefund OPEB obligations:~~

- ~~Local government employers can participate in the fund even if they are not currently affiliated with CalPERS.~~
- ~~The requirement to contract for health benefits through CalPERS has been dropped.~~

CERBT FUND WORKSHOPS

Employers are encouraged to attend an upcoming workshop to learn about the features and benefits of the CERBT Fund. Topics include: CERBT Fund Workshops provide information about our trust fund and other services we offer to prepare you to measure, report, and prefund OPEB liabilities. The following subjects are covered in the workshops:

- Asset allocation strategies
- Contracting process
- GASB updates and compliance
- Investment management and fiduciary responsibility
- Program simplicity
- Lowest cost services
- You can register for a workshop on our [website](#)

~~Features and Benefits of the CalPERS CERBT Program~~

~~In this workshop, you will find solutions on how to pay for OPEB liabilities through the CERBT Fund. All employers are encouraged to attend. Topics include:~~

- ~~Investment fiduciary responsibility~~
- ~~Accounting compliance~~
- ~~World class investment management~~
- ~~Program simplicity~~
- ~~New asset investment allocation strategies~~
- ~~Lowest cost services~~

~~CERBT Administration and Education~~

~~In this workshop, you will learn about the administration and processes of the CERBT Fund. All employers are encouraged to attend. Topics include:~~

- ~~New asset allocation strategies~~
- ~~Contributions and disbursements~~
- ~~Accruals~~
- ~~Alternative Measurement Method (AMM)~~

- Valuation renewals
- End of the year financial reporting

For more information on CERBT, call the CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**) or visit the CalPERS website at: [California Employers' Retiree Benefit Trust Fund \(CERBT\) - CalPERS](#) or email to: CERBT4U@calpers.ca.gov.

For more information on CERBT:

- Visit the CalPERS website at: [California Employers' Retiree Benefit Trust \(CERBT\) Fund - CalPERS](#)
 - Email us at: CERBT4U@calpers.ca.gov
 - Call the CalPERS Customer Contact Center at **888 CalPERS** (or **888-225-7377**)
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