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Dear TSA Participant:

You may be aware that the Internal Revenue Service (IRS) recently issued new regulations that govern the tax treatment of 403(b) plans, including the CSU 403(b) Tax Sheltered Annuity (TSA) program. These new regulations are quite comprehensive and will affect many areas of TSA operations. Although the general effective date is January 1, 2009, there is one important change affecting “90-24” transfers that takes effect very soon, on September 24, 2007. The following information is provided in a question and answer format to assist you in understanding changes to the CSU TSA program.

What is a 90-24 transfer?

A 90-24 transfer is when a participant makes an in-service transfer to another 403(b) vendor without incurring a taxable event, provided that distribution restrictions under the new contract were no more liberal than those under the old contract. Currently CSU allows 90-24 transfers to any TSA vendor within CSU’s approved vendor list.

How do the new regulations affect 90-24 transfers?

Under the new regulations, the IRS is restricting 90-24 transfers. Any 90-24 transfers made by September 24, 2007, are grandfathered under the old rules. Any transfers made after that date will be subject to more restrictive requirements than in the past. If the new requirements are not followed exactly, participants could suffer adverse tax consequences.

What is CSU doing to comply with the new 403(b) regulations?

In order to allow time for CSU to study the available options under the new rules, CSU is suspending 90-24 transfers as of September 25, 2007. All TSA companies on the CSU’s vendor list have been notified of this decision to suspend 90-24 transfers for all CSU TSA participants.

CSU Campuses
Bakersfield
Channel Islands
Chico
Dominguez Hills
East Bay

Fresno
Fullerton
Humboldt
Long Beach
Los Angeles
Maritime Academy

Monterey Bay
Northridge
Pomona
Sacramento
San Bernardino
San Diego

San Francisco
San José
San Luis Obispo
San Marcos
Sonoma
Stanislaus

During the 90-24 transfer suspension, what options will I have in my CSU TSA plan?

As a CSU TSA participant, you will be able to:

- Stop contributions with your current TSA vendor and enroll with a different TSA vendor on CSU's list of approved TSA vendors.
- Make an in-service transfer no later than September 24, 2007, which will be "grandfathered" under the rules of Revenue Ruling 90-24. They will be considered "qualifying" transfers and will not trigger immediate taxation of the transferred funds. These grandfathered contracts, however, if transferred again after September 24, 2007, will be subject to the new rules.
- Request a cash distribution or a rollover after September 24, 2007, if you have a distributable event (e.g., age 59-1/2 or terminate CSU employment).

How long do you anticipate the suspension of 90-24 transfers will be in place?

At this time, we do not know how long the suspension on transfers will apply. We are currently evaluating the new requirements and will give you more information as we learn more from the IRS and our advisors.

How will you update me and other CSU participants on your progress?

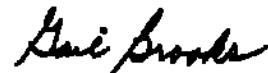
Future updates regarding the 90-24 transfers, as well as other pertinent information about the CSU 403(b) TSA Program will be provided on the CSU Systemwide Benefits Portal at: <http://www.calstate.edu/hr/benefitsportal/>.

Where can I get more information on 90-24 transfers?

Because your TSA vendor is currently responsible for administering your CSU TSA plan, we recommend you contact your CSU TSA vendor or financial advisor to discuss any issues or questions you may have regarding your specific situation.

Thank you for your understanding and we appreciate your patience during this period of transition.

Sincerely,



Gail Brooks
Interim Vice Chancellor
Human Resources

Cc: Ms. Pamela Chapin
Ms. Michelle Hamilton
Ms. La Sonja Bush