

Human Resources Administration
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www.calstate.edu

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Dear TSA Program Participant:

To help you save and invest for your retirement, the California State University (CSU) gives you, and all eligible employees, the opportunity to participate in the Tax Sheltered Annuity (TSA) Program. The TSA Program is a 403(b) plan, which offers tax advantages when you use it to save for your retirement.

Recently, the Internal Revenue Service updated the guidelines for 403(b) plans in an effort to place a greater responsibility on plan sponsors such as the CSU. As a result of these new guidelines, the CSU is required to make changes to the administration of the TSA Program.

The CSU believes these changes will not only ensure that you have access to a selection of top-quality funds but will also result in a more straightforward experience for all TSA Program participants. Because you currently participate in the TSA Program, we want to alert you to some of the changes we are planning for January 1, 2009.

- **The implementation of a Master Administrator.** The Master Administrator will be a fund vendor responsible for the day-to-day administration of the TSA Program. This includes collecting your payroll deferrals from the State Controller's Office and submitting them to the funds you elect, monitoring contribution limits, administering loans, coordinating account and transaction information from the fund vendors, and providing you with plan information. The selection of the Master Administrator will be based on a thorough evaluation of the responses to the Request for Proposal process.
- **The consolidation of fund vendors and fund options.** Currently, the CSU makes a number of funds available through numerous vendors as part of the TSA Program. By consolidating both the number of vendors and the number of funds, the CSU can provide greater oversight of fund performance. Once the changes to the TSA Program have been implemented, the CSU expects to offer a selection of top-quality funds from a select group of vendors.

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

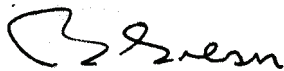
San Francisco
San José
San Luis Obispo
San Marcos
Sonoma
Stanislaus

- **A new plan administrative committee responsible for oversight.** This committee will be responsible for evaluating the performance of funds and making decisions regarding any changes to the funds offered by the TSA Program.

Because of these changes, there will be a special enrollment period beginning in October 2008. **To continue participating in the TSA Program on January 1, 2009, you must enroll during this special enrollment period. If you do not enroll, or if your current fund options are not among those offered going forward and you do not choose another fund vendor during the special enrollment period, your TSA deduction will end with the November pay period (the last pay period for the 2008 tax year). Any money that you currently have invested in investment products offered through the TSA Program will remain invested in those products after January 1, 2009, even if those products aren't offered by the TSA Program going forward.** You will be able to enroll after the special enrollment period, but your deductions will not start until after January 1, 2009.

The CSU is committed to giving you the information you need to make this transition process as smooth as possible. In October, you will receive details about the TSA Program changes and the enrollment process. Additionally, we will be updating the TSA Program website — <http://www.calstate.edu/hr/benefitsportal> — as more information becomes available. In the meantime, we encourage you to review the enclosed FAQs for more information.

Regards,



Bruce Gibson
Senior Director, Benefits
Human Resources Administration

Enclosure - FAQs

Frequently Asked Questions

About Changes to the CSU TSA Program

1. *How is the CSU's TSA Program changing?*

The TSA Program will undergo several important changes for 2009. The most visible changes will be the consolidation of fund vendors and the addition of a Master Administrator, who will be responsible for administering the TSA Program. The CSU will establish a plan administrative committee to oversee the program and will adopt a written plan document that governs the plan.

2. *Why has the CSU decided to make these changes to the TSA Program now?*

Recent changes to IRS regulations mandate that employers who offer a 403(b) plan take a more active role in the oversight and governance of their plan. While the changes to the TSA Program are in response to these updated regulations, the CSU is committed to making the transition as smooth as possible. These changes will simplify participation in the TSA Program, will result in greater oversight of it, and are expected to reduce administrative fees paid by participants while improving the level of service they receive.

3. *When will the changes to the CSU's TSA Program take effect?*

The changes to the TSA Program will take effect January 1, 2009. If you currently participate in the TSA Program and want to continue participating on that date, you'll need to take action during the special enrollment period, which will be held October 2008 – November 2008. You'll receive more information closer to that special enrollment period.

4. *How will the CSU decide who will be the new TSA Program Master Administrator?*

The CSU has received proposals from leading 403(b) plan administrators for the Master Administrator role. The final selection of the Master Administrator will be made by an evaluation committee appointed by the CSU.

5. *How will the changes to the TSA Program affect the number of funds offered?*

Currently, the TSA Program offers over 90 different investment product options from a variety of providers. Some of the funds overlap, and the large selection of options can be overwhelming.

To better manage and monitor the funds offered through the TSA Program, the number of funds will be reduced. While the number of options will be reduced from over 90 vendors and thousands of investment funds to a more streamlined selection, the options will continue to provide a broad range of choices for participants regardless of their investment strategies and tolerance for risk.

6. Will the funds I'm currently invested in be available January 1, 2009?

While the committee responsible for selecting the funds has not yet reached a final decision, it is likely that some of the funds in which you're currently invested will not be available as of January 1, 2009. This is because the CSU is consolidating the number of funds offered. No decision has been made whether any of the funds currently offered will be offered as of January 1, 2009.

7. What happens to my current investments if the CSU stops offering the funds in which I'm currently invested?

Any money that you currently have invested in investment products offered through the TSA Program will remain invested in those products after January 1, 2009, even if those products aren't offered by the TSA Program going forward. However, you'll still be able to change investments within the products offered by your current vendor after January 1, 2009.

If you take action during the special enrollment period (October 2008 – November 2008), you'll also be able to transfer the money you've invested in those products through the TSA Program to the new products that will be offered when the restructured TSA Program takes effect. In addition, you'll be able to transfer your investments to the new funds at any time after that, based on your personal situation. Once you've transferred any prior investments to the new funds, you will not be able to transfer back to the closed funds. However, you'll be able to transfer among any of the new funds at any time.

8. When will the list of fund vendors be available?

The committee selecting the fund vendors is conducting a thorough review to ensure that the restructured TSA Program will offer a selection of top-quality products. The CSU expects this process to be complete no later than September 15, 2008, and a list of fund vendors will be available shortly thereafter.

9. If I enroll during the special enrollment period, when will the payroll contributions for the current TSA Program end and when will the contributions for the restructured TSA Program begin?

Your last contribution for the current TSA program will end with the November pay period (which is the last pay period of the 2008 tax year). The TSA Program deduction taken out of the December pay period warrant will be applied to the restructured TSA Program effective January 1, 2009.

10. *What is the status of transferring 403(b) funds from one vendor to another before the special enrollment period?*

The CSU has placed a freeze on in-service transfers, with the exception of age 59½ rollovers. This means you cannot transfer funds from your current fund vendor to another fund vendor at this time. However, you still can change investment funds among those offered by your current fund vendor. Later in 2008, the CSU will notify you of the date you'll be able to transfer your prior investments in the TSA Program to the new funds that will be offered once the restructured TSA Program takes effect.

11. *Will the changes to the CSU TSA Program have any effect on the DPA Savings Plus Program?*

No. The Savings Plus Program will continue to administer 401(k) and 457 Plans, which aren't affected by the new IRS regulations regarding 403(b) accounts.

12. *How can I find more information about the changes to the TSA Program?*

The CSU is committed to giving you the information, tools, and resources you need to make decisions that are right for you. Before the special enrollment period, you'll receive a packet with details about the Master Administrator, the new funds that will be offered, and the steps you'll need to take to enroll. In addition, we'll update the CSU's online benefits portal — <http://www.calstate.edu/hr/benefitsportal> — with the most up-to-date information as it becomes available.