

## DEFERRED COMPENSATION PLAN

Supplemental Benefit

### DEFERRED COMPENSATION PLAN - SUPPLEMENTAL BENEFIT

## DEFERRED COMPENSATION PLAN NEWS

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### Investment Option Changes in 2020

You will have several new investment options beginning this January.

The SERS Board approved the changes to offer you a wider range of investment options and serve a wider range of investors — from the do-it-yourselfers to those looking for funds that provide a risk-based “cruise-control” feature.

#### New Target-Date Funds

Target-date funds allow you to put the risk profile of your investments on cruise control based on your age.

The funds are professionally managed and designed to be well-diversified with the goal of growing assets over a defined period — in this case, by a target retirement date. As a result, the mix of assets in a target-date fund will automatically shift to incur less risk as the target retirement date approaches.

According to the plan’s investment consultant, Callan, approximately 87% of plans offer a target-date fund option today.

*Continued on page 2*

### Hit the Road for National Retirement Security Week 2019

Have plans for October 20-26 this year? Why not join thousands of your fellow savers for a road trip to retirement during National Retirement Security Week (NRSW)?

The annual event is designed to shine a spotlight on the importance of saving and investing for the retirement you want. This year, SERS and Empower Retirement are inviting you to hit the road to a brighter future during NRSW by serving up your retirement preparations.

We all know that a little planning can make a trip a lot more enjoyable, so here are a few suggestions to help make your retirement road trip smooth:

- Fill up for the long haul by increasing your contribution rate.
- Protect your travel buddies by updating your beneficiary.
- Give your account a tune-up with the planning tools on the website.
- Put your plan communications on cruise control by choosing e-delivery.

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## Investment Option Changes

### in 2020 (continued from page 1)

If you are looking for a diversified portfolio but feel that you don't have the time or knowledge to research and select individual investments and periodically rebalance and de-risk your portfolio on your own, the target-date funds may be right for you.

After Jan. 3, 2020, you will be able to select from nine funds that target retirement dates in five-year increments and a post-retirement date fund that is meant to serve participants through their retirement years or drawdown period.

Generally, the asset allocation of each target date fund will gradually become more conservative as the fund nears the target retirement date. The date in a target date fund's name is the approximate date when investors are expected to start withdrawing their money (generally assumed to be at age 65). The principal value of a fund is not guaranteed at any time, including at the time of the target date and/or withdrawal.

#### Default Investment Option Change

The default investment option will change from the short-term money market fund to the target-date fund based on your age, which is an industry standard default option according to the plan's investment consultant, Callan.

The short-term investment fund is a cash equivalent account featuring very low risk but very low return, while the target-date fund option provides participants with increased return potential in a fund that automatically reduces risk over time.

#### International Fund Change

The International Company Stock Index Fund will be replaced with the Global Non-U.S. Stock Index Fund, which provides a more diversified option for the do-it-yourself investor looking for exposure to the international markets.



If you are looking for a diversified portfolio but feel that you don't have the time or knowledge to research and select individual investments and periodically rebalance and de-risk your portfolio on your own, the target-date funds may be right for you.

#### Closing Funds

The four risk-based asset allocation funds — the aggressive, moderate, conservative, and 60/40 balanced stock and bond funds — will be closing.

Given the addition of the target-date funds, participants will have access to funds that automatically shift to less risky investments over time.

If you have money in the funds scheduled to close on Fri. Jan. 3, 2020, that money will automatically transfer to the default target-date fund based on your age. Future contributions that you had allocated to any of the closed funds will go to the default target date fund unless you change your investment selection.

You can change your current and future investments, as well as increase your contributions, at any time by **signing into your deferred comp account** at **SERS.pa.gov**. If you have any questions about your investment options, you can reach a deferred comp specialist at **SERSDeferredComp@pa.gov** and **1.800.633.5461**, option 1.

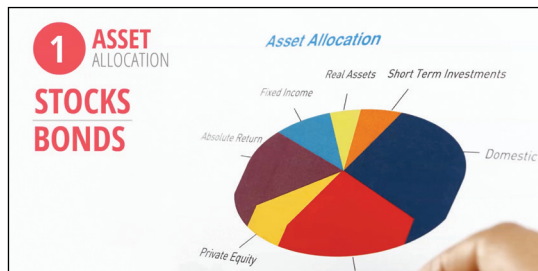
## Why avoiding all risk can be risky

Risk is usually something we learn to avoid. We buckle our seatbelts when we get in a car. We look both ways before crossing the street. We avoid eating bacon with every meal (at least some people do).

However, when it comes to investing for your future retirement, risk may not always be a bad thing. No one likes to see their retirement account balance drop due to a volatile stock market. Naturally you want the money you set aside for retirement to grow. The fact is, simply saving money for retirement and not investing it can be risky. Why? Inflation can eat into the purchasing power of your money, so the dollar you save today may not buy as much in the future when you retire if that dollar doesn't generate any growth.

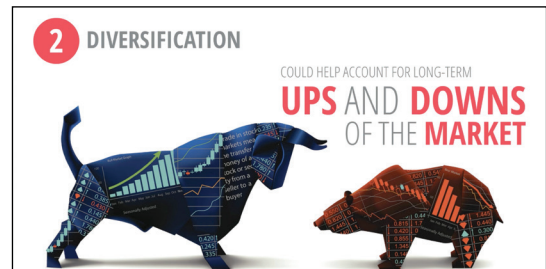
In general, investments with higher return potential have higher levels of risk. Investments with lower risk usually offer lower returns. The longer you have before you need to use your savings for retirement income, the more time you have to recover from any losses, which means you may be able to afford more risk in your investment strategy.

Most investments come with risk, but you also have ways you can manage investment risk, including:



- **Asset allocation<sup>1</sup>** - This is the process of spreading the money you invest across different types of assets, such as stock funds, bond funds and capital preservation. Different types of assets react in different ways to changing markets. When one type of asset drops in value, others may retain more of their value. Asset allocation is a way to manage investment risk by helping you avoid relying too much on any

single type of investment. Also, keep in mind that you may want to gradually make your asset allocation more conservative as you approach retirement. You'll want to protect the money that you'll soon need for retirement income.



- **Diversification<sup>2</sup>** - Diversification is choosing multiple investments in a single asset class (for example, mid-cap stocks). It's similar to asset allocation because it avoids over-relying on a single investment.



- **Rebalancing<sup>3</sup>** - Due to market performance over time, the portion of your portfolio devoted to one type of investment (such as stock funds) may grow to be bigger than your chosen asset allocation. As a result, you may have too much or too little risk in your portfolio. Rebalancing is the process of shifting the money in your portfolio from one type of asset to another to get your portfolio back in balance with your desired asset allocation.

This is just a quick look at some of the strategies you can use to manage risk. For a more in-depth look at these topics, talk to your local retirement plan counselor.

Images pulled from the Empower Retirement Wellness and Financial Center, **Investing 101** educational video available through the Deferred Compensation Plan Resources link at [www.SERS.pa.gov](http://www.SERS.pa.gov).



## Hit the Road for National Retirement Security Week 2019 (continued from page 1)

Remember, the journey can be just as rewarding as reaching your destination. So, check your tire pressure, choose a playlist, and pack a cooler full of snacks. And don't forget to celebrate each milestone you reach along the way.

Need some roadside assistance during your retirement road trip? Visit [www.SERS.pa.gov](http://www.SERS.pa.gov) for more information or to schedule time with your deferred comp specialist.

*Carefully consider the investment option's objectives, risks, fees and expenses. Contact us for a prospectus, summary prospectus or disclosure document containing this information. Read each carefully before investing.*

*You could lose money by investing in a money market fund. Although the fund seeks to preserve the value of your investment at \$1 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund's sponsor has no legal obligation to provide financial support to the fund, and you should not expect that the sponsor will provide financial support to the fund at any time.*

1 CNN.com, 2018 was the worst for stocks in 10 years, December 31, 2018.

2 usnews.com, No Right Time for Market Timing, June 19, 2018.

3 Rebalancing does not ensure a profit and does not protect against loss in declining markets.

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