DEFERRED COMPENSATION PLAN
Supplemental Benefit

DEFERRED COMPENSATION PLAN - SUPPLEMENTAL BENEFIT

INVESTMENT OPTION CHANGES IN 2020

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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.

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 want to keep a dedicated international fund, you will need to select the new Global Non-U.S. Stock Index Fund beginning Jan. 6, 2020. If no change is made, your international fund money and future contributions will automatically transfer to a target-date fund based on your age.

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.