

**STATE OF CALIFORNIA
SAVINGS PLUS PROGRAM
THRIFT PLAN**

**Amended and Restated as of
January 1, 2020**

CERTIFICATE

I, Eraina Ortega, Director of the State of California Department of Human Resources, hereby cause the attached document to be executed as the State of California Savings Plus Program Thrift Plan, as amended and restated effective as of January 1, 2020.

Dated this 22 day of December, 2020.

STATE OF CALIFORNIA
DEPARTMENT OF HUMAN RESOURCES

/s/E. Ortega

By: Eraina Ortega
Director

TABLE OF CONTENTS

Page

STATE OF CALIFORNIA SAVINGS PLUS PROGRAM THRIFT PLAN	1
SECTION 1 Background of Plan.....	1
1.1 Introduction.....	1
1.2 Trust Agreement	1
1.3 Plan Supplements.....	2
SECTION 2 Definitions.....	3
2.1 401(k) Contributions.....	3
2.2 Account.....	3
2.3 Accounting Date	3
2.4 Age Based Deferral.....	3
2.5 Alternate Payee	3
2.6 Beneficiary	3
2.7 Code	4
2.8 Compensation	4
2.9 Department.....	4
2.10 Designated Beneficiary.....	4
2.11 Direct Rollover.....	4
2.12 Director	5
2.13 Domestic Partner.....	5
2.14 Eligible 457(b) Plan	5
2.15 Eligible Distributee	5
2.16 Eligible Employee.....	5
2.17 Eligible Retirement Plan	6
2.18 Eligible Rollover Distribution.....	7
2.19 Indirect Rollover	7
2.20 Investment Alternatives	7
2.21 Leave of Absence.....	8
2.22 Normal Deferrals	8
2.23 Participant	8
2.24 Plan	8
2.25 Plan to Plan Transfer.....	8
2.26 Plan Year.....	8
2.27 QDRO	8
2.28 Qualified Nonelective Contribution.....	8
2.29 Qualified Nonelective Contribution Subaccount.....	8
2.30 Rollover Contribution	9
2.31 Rollover Subaccount.....	9
2.32 Roth Conversion Subaccount.....	10
2.33 Roth Elective Deferral	10
2.34 Settlement Date.....	10
2.35 Spouse	10
2.36 State.....	10

TABLE OF CONTENTS

	Page
2.37 State Contribution	10
2.38 Trust	10
2.39 Trust Agreement	11
2.40 Trustee.....	11
SECTION 3 Eligibility and Participation	12
3.1 Eligibility to Participate	12
3.2 Period of Participation	13
3.3 Leave of Absence.....	13
3.4 Qualified Military Service	13
3.5 Commencement or Resumption of Participation.....	13
SECTION 4 Participant and State Contributions.....	14
4.1 Normal Deferrals	14
4.2 Election to Defer Compensation.....	14
4.3 Normal Deferrals Limit.....	16
4.4 Age Based Deferrals	16
4.5 Rollover Contributions.....	17
4.6 State Contribution	18
4.7 Roth Elective Deferrals.....	19
4.8 In-Plan Roth Conversion.....	21
4.9 Qualified Nonelective Contributions	22
SECTION 5 Investment of 401(k) Contributions	23
5.1 Investment Alternatives	23
5.2 Participants' Investment Elections.....	23
SECTION 6 Accounting.....	25
6.1 Participants' Accounts	25
6.2 Accounting Dates.....	28
6.3 Adjustment of Account in Investment Funds	28
6.4 Qualified Domestic Relations Orders	28
SECTION 7 Contribution and Benefit Limitations	29
7.1 Contribution Limitations.....	29
7.2 Combining of Plans.....	30
7.3 Excess Deferrals.....	30
7.4 Nondiscrimination Testing of Normal Deferrals	32
SECTION 8 In-Service Withdrawals and Participant Loans.....	33
8.1 Voluntary Withdrawals - Age 59-½.....	33
8.2 Hardship Withdrawals	33
8.3 Loans to Participants.....	36
8.4 Purchase of Service Credit under Defined Benefit Plan.....	44
8.5 Military Service	45
8.6 Withdrawal of Rollover Amounts.....	46
8.7 Coronavirus-Related Distributions.	46
8.8 Qualified Birth or Adoption Distribution	48

TABLE OF CONTENTS

	Page
SECTION 9 Distributions Following Settlement Date.....	50
9.1 Manner of Distribution	50
9.2 Distribution Options.....	50
9.3 Involuntary Lump Sum Distribution.....	51
9.4 Required Minimum Distributions.....	51
9.5 Direct Rollovers.....	58
9.6 Immediate Distributions to Alternate Payees	59
9.7 Designation of Beneficiary	60
9.8 Missing Participants or Beneficiaries	62
9.9 Facility of Payment.....	62
9.10 Recovery of Overpayments.....	63
SECTION 10 General Provisions	64
10.1 Interests Not Transferable.....	64
10.2 Absence of Guaranty.....	64
10.3 Employment Rights	64
10.4 Litigation by Participants or other Persons.....	64
10.5 Evidence.....	65
10.6 Waiver of Notice.....	65
10.7 Controlling Law	65
10.8 Statutory References	65
10.9 Severability	65
10.10 Number	65
10.11 Indemnification.....	65
10.12 Form of Elections.....	66
10.13 No Reversion	66
10.14 Correction of Administrative Errors	66
SECTION 11 Amendment and Termination	67
11.1 Amendment.....	67
11.2 Termination.....	67
11.3 Nonforfeitability and Distribution on Termination.....	67
11.4 Notice of Termination.....	68
11.5 Plan Merger, Consolidation, Etc.....	68
SECTION 12 The Department.....	69
12.1 Plan Administration	69
12.2 The Department's General Powers, Rights, and Duties	69
12.3 Information Required by the Department.....	70
12.4 Review of Benefit Determinations.....	70
12.5 Department's Decision Final	70
12.6 Notice.....	71

STATE OF CALIFORNIA
SAVINGS PLUS PROGRAM
THRIFT PLAN

Restatement Effective January 1, 2020

SECTION 1

Background of Plan

1.1 Introduction. The State of California Department of Human Resources (formerly Department of Personnel Administration), pursuant to Section 19999.5 of the California Government Code, established the State of California Savings Plus Program Thrift Plan (the “Plan”)¹, effective October 15, 1985, for the purpose of attracting and retaining certain employees and elected officials of the State of California. The Plan was last restated effective as of January 1, 2015, and last amended as of January 1, 2019. The Plan is hereby amended and restated in its entirety, effective as of January 1, 2020 (except as otherwise stated herein). The Plan is a defined contribution, profit sharing plan², intended to meet the applicable requirements of Section 401(a) of the Internal Revenue Code of 1986, as amended, and contains a cash or deferred arrangement intended to qualify under Section 401(k) of the Code. Capitalized terms used in the Plan are defined in Section 2.

1.2 Trust Agreement. All amounts of compensation deferred pursuant to the Plan, all property and rights purchased with such amounts and all income attributable to such amounts, property or rights shall be held in trust for the exclusive benefit of Participants, Beneficiaries, and Alternate Payees under the Plan. Amounts contributed under the Plan are held and invested, until distributed, by the Trustee. The Trustee acts in accordance with the terms of the Trust Agreement. The Trust Agreement implements the Trust and forms a part of the Plan. The

¹ The Plan was originally named the State of California Deferred Compensation Plan (Profit Sharing).

² As set forth in Section 401(a)(27) of the Code.

provisions of and benefits under the Plan are subject to the terms and provisions of the Trust Agreement. Notwithstanding any contrary provision in the instrument governing the Plan, the Plan Trustee may, unless restricted in writing by the Department, transfer assets of the Plan to a group trust that is operated or maintained exclusively for the commingling and collective investment of monies provided that the funds in the group trust consist exclusively of trust assets held under plans qualified under Code section 401(a), individual retirement accounts that are exempt under Code section 408(e), and eligible governmental plans that meets the requirements of Code section 457(b). For this purpose, a trust includes a custodial account that is treated as a trust under Code section 401(f) or under Code section 457(g)(3). For purposes of valuation, the value of the interest maintained by the Plan in such group trust shall be the fair market value of the portion of the group trust held for the Plan, determined in accordance with generally recognized valuation procedures.

1.3 Plan Supplements. The provisions of the Plan may be modified by supplements to the Plan. The terms and provisions of each supplement are a part of the Plan and supersede the provisions of the Plan to the extent necessary to eliminate inconsistencies between the Plan and such supplement.

SECTION 2

Definitions

Wherever used in this Plan, the following terms have the meanings indicated below, unless a different meaning is plainly required by the context. The singular includes the plural, unless the context indicates otherwise.

2.1 401(k) Contributions. “401(k) Contributions” means all contributions made to the Plan on behalf of a Participant, including contributions from the following money sources: Normal Deferrals, Age Based Deferrals, Roth Elective Deferrals, Rollover Contributions, Qualified Nonelective Contributions, and State Contributions.

2.2 Account. “Account” means the accounts and subaccounts established on behalf of a Participant, Beneficiary or Alternate Payee including, as applicable, for 401(k) Contributions, Rollover Contributions, Rollover Repayment Event Related Contributions, Rollover Repayment Event Unrelated Contributions, Roth Conversions, Qualified Nonelective Contributions, and for all other money sources.

2.3 Accounting Date. “Accounting Date” means each day the value of an Investment Alternative is adjusted for contributions, withdrawals, distributions, earnings, gains, or losses.

2.4 Age Based Deferral. “Age Based Deferral” means the deferral that a Participant elects to contribute to the Plan pursuant to Section 4.4.

2.5 Alternate Payee. “Alternate Payee” means any spouse, former spouse, Domestic Partner, child, or other dependent of a Participant who is recognized by a QDRO as having a right to receive all, or a portion of, the benefits payable with respect to a Participant.

2.6 Beneficiary. “Beneficiary” means the natural person(s), a Participant’s estate, or a trust, charity, or organization designated as the Participant’s Beneficiary either by (i) a Participant

under the last effective beneficiary designation made in accordance with Section 9.7, or (ii) the terms of the Plan set forth under Section 9.7 .

2.7 Code. “Code” means the Internal Revenue Code of 1986, as amended.

2.8 Compensation. “Compensation,” except as otherwise specified in the Plan, means adjusted gross salary for services rendered to the State as an employee including payment of accrued but unused vacation pay, sick pay (to which the Participant is otherwise entitled due to a disability retirement) and leave pay paid or made available to an employee at the time of severance from employment or retirement. In no event shall the amount of a Participant’s Compensation taken into account for purposes of the Plan for any Plan Year exceed \$285,000 (as that limitation is adjusted from time to time by the Secretary of the Treasury pursuant to Section 401(a)(17)(B) of the Code). Notwithstanding the foregoing, the annual dollar limit under Section 401(a)(17) of the Code as in effect on July 1, 1993 shall apply to an “eligible participant” to the extent the amount of compensation which is allowed to be taken into account under the Plan would be reduced below the amount which was allowed to be taken into account under the Plan as in effect on July 1, 1993. For purposes of this definition, the term “eligible participant” means an individual who first became a Participant in the Plan prior to January 1, 1996.

2.9 Department. “Department” means the State of California Department of Human Resources (formerly Department of Personnel Administration), Savings Plus Program.

2.10 Designated Beneficiary. “Designated Beneficiary” means the natural person(s), a Participant’s estate, or a trust, charity, or organization last designated by a Participant as the Participant’s Beneficiary in accordance with Section 9.7.

2.11 Direct Rollover. “Direct Rollover” means an Eligible Rollover Distribution paid directly from the Plan to an Eligible Retirement Plan or from an Eligible Retirement Plan to the Plan (as

the context indicates) for the benefit of an Eligible Distributee as described in Section 401(a)(31) of the Code.

2.12 Director. “Director” means the Director of the State of California Department of Human Resources.

2.13 Domestic Partner. “Domestic Partner” means a person registered as a Participant’s domestic partner at the time and in the manner required by the Department, provided that only an unmarried Participant may have a Domestic Partner.

2.14 Eligible 457(b) Plan. An “Eligible 457(b) Plan” is an eligible deferred compensation plan established under Section 457(b) of the Code that is maintained by a state, a political subdivision of a state, or any agency or instrumentality of a state or political subdivision of a state.

2.15 Eligible Distributee. An “Eligible Distributee” is (i) a Participant, (ii) any Designated Beneficiary who is an individual (within the meaning of Code section 401(a)(9)(E)) or who is a trust designated beneficiary (within the meaning of Code section 402(c)(11)(B)), or (iii) an Alternate Payee.

2.16 Eligible Employee. An “Eligible Employee” is any employee or officer on the Payroll of the State who: (a) is eligible to participate in California Public Employees’ Retirement System (“CalPERS”), Judges’ Retirement System (including the Judges’ Retirement System II Law (“JRS”)), Legislators’ Retirement System (“LRS”), or California State Teachers’ Retirement System (“CalSTRS”) or (b) effective January 1, 2021, is a participant in the PST Program described in Supplement A of the State of California Savings Plus Program Deferred Compensation Plan (“457(b) Plan”) who elects to make 401(k) Contributions in accordance with Section A-4(c) of the 457(b) Plan. An Eligible Employee also includes employees who are retirees or annuitants. Retirees or annuitants for purposes of this section means temporary employees: (i) receiving a retirement allowance from CalPERS, JRS, LRS, or CalSTRS; and ii)

who are not currently accruing a benefit or service credit under CalPERS, JRS, LRS, or CalSTRS. Notwithstanding the above, an Eligible Employee does not include: (i) employees of the Regents of the University of California; (ii) part-time employees, seasonal or temporary employees who are not eligible Participants in the PST Program, other than retirees or annuitants as described above; (iii) leased employees (as defined in section 414(v) of the Code); (iv) contract employees; (v) independent contractors; or (vi) reclassified employees (employees who are not initially classified by the State as common-law employees, but who are reclassified as common law employees by a governmental agency, court or other third party). Only employees of the State treated by the State as common-law employees (and not otherwise excluded from the definition of Eligible Employee) are eligible to participate in the Plan. If, during any period, the State does not treat an individual as a common-law employee and, for that reason, does not withhold employment taxes with respect to that individual, then that individual shall not be eligible to participate in the Plan during that period, even in the event that the individual is determined, retroactively, to have been a common law employee during all or any portion of that period. An individual's status as an Eligible Employee shall be determined by the individual's employment status. Payroll for purposes of this section shall mean the system used by the State to pay those individuals the State treats as its employees for their services and to withhold employment taxes from the compensation it pays to such employees. Payroll does not include any system the State uses to pay individuals whom the State does not treat as its employees and for whom the State does not actually withhold employment taxes (including, but not limited to, individuals the State treats as independent contractors).

2.17 Eligible Retirement Plan. An "Eligible Retirement Plan" includes (i) an individual retirement account described in Section 408(a) of the Code; (ii) an individual retirement annuity described in Section 408(b) of the Code (other than an endowment contract); (iii) an annuity plan

described in Section 403(a) of the Code; (iv) a plan qualified under Section 401(a) of the Code that by its terms permits the acceptance of rollover contributions; (v) an Eligible 457(b) Plan; and (vi) an annuity contract described in Section 403(b) of the Code. For purposes of this Section 2.17, an individual retirement account or an individual retirement annuity includes a Roth IRA as defined in Section 408A of the Code.

2.18 Eligible Rollover Distribution. An “Eligible Rollover Distribution” means any distribution under the Plan to an Eligible Distributee or any amount contributed to the Plan on behalf of a Participant or an Eligible Employee (as the context indicates) other than: (i) a distribution that is one of a series of substantially equal periodic payments made annually or more frequently either over the life (or life expectancy) of the Participant or the joint lives (or life expectancies) of the Participant and the Participant’s Designated Beneficiary or over a specified period of ten years or more; (ii) a distribution required to meet the minimum distribution requirements of Section 401(a)(9) of the Code; (iii) a hardship withdrawal pursuant to Section 8.2; or (iv) a distribution excluded from the definition of “Eligible Rollover Distribution” under the Code, applicable Income Tax Regulations, or guidance from the Treasury Department. A distribution from a Roth Elective Deferral Subaccount under the Plan will only be made to another Roth elective deferral account under an applicable retirement plan described in Code section 402A(e)(1) or to a Roth IRA described in Code section 408A, and only to the extent the rollover is permitted under the rules of Code section 402(c).

2.19 Indirect Rollover. An “Indirect Rollover” is a Rollover Contribution made to the Plan on a Participant’s behalf that complies with the requirements of Section 402(c) of the Code.

2.20 Investment Alternatives. The “Investment Alternatives” mean the investment funds designated by the Department for the investment of Participants’ Accounts.

- 2.21 Leave of Absence. A “Leave of Absence” for purposes of the Plan means an absence from work that is either: (i) not treated by the State as a termination of employment; or (ii) required by law to be treated as a leave of absence.
- 2.22 Normal Deferrals. “Normal Deferrals” means the deferrals that a Participant elects to contribute to the Plan pursuant to Section 4.1.
- 2.23 Participant. A “Participant” is an Eligible Employee who has satisfied the requirements of Section 3.1 of the Plan.
- 2.24 Plan. The “Plan” means the State of California Savings Plus Program Thrift Plan, amended and restated as of January 1, 2020.
- 2.25 Plan to Plan Transfer. A “Plan to Plan Transfer” is a non-taxable, in-service transfer made from the Plan to a government sponsored defined benefit plan in accordance with Section 8.4.
- 2.26 Plan Year. The “Plan Year” is the twelve-month period beginning each January 1 and ending December 31.
- 2.27 QDRO. “QDRO” means a qualified domestic relations order as defined in Section 414(p) of the Code, as it applies to a governmental plan.
- 2.28 Qualified Nonelective Contribution. “Qualified Nonelective Contribution” means an amount contributed to the Plan in accordance with Section 4.9.
- 2.29 Qualified Nonelective Contribution Subaccount. “Qualified Nonelective Contribution Subaccount” means the subaccount of a Participant’s Account established to track any Qualified Nonelective Contribution made to the Plan on behalf of the Participant in accordance with Section 4.9. For administrative purposes, a Participant’s Qualified Nonelective Contribution Subaccount may be referred to as an Employer Discretionary Account.

2.30 Rollover Contribution. “Rollover Contribution” means an Eligible Rollover Distribution contributed to the Plan on a Participant’s or Eligible Employee’s behalf in accordance with Section 4.5. A Rollover Contribution may include an Eligible Rollover Distribution from a separate Account established for: (i) a spousal Beneficiary who is a Participant or Eligible Employee, or (ii) an Alternate Payee who is a former spouse, if the Alternate Payee is a Participant or Eligible Employee.

2.31 Rollover Subaccount. “Rollover Subaccount” means the subaccount of the Participant’s Account established to track the money source of Rollover Contributions (if any) made by the Participant to the Plan and earnings and losses on such subaccount. A separate Roth Rollover Subaccount will be established for each Participant who makes a direct rollover contribution to the Plan from a designated Roth account under another plan.

2.31.1 Rollover Repayment Event Related Subaccount. “Rollover Repayment Event Related Subaccount” means the subaccount of the Participant’s Account established to track the money source of Rollover Contributions (if any) made by the Participant in the form of a contribution to the Plan of a Coronavirus-Related Distribution, Qualified Birth or Adoption Distribution, 2020 RMD or Extended 2020 RMD paid from the Plan, and earnings and losses on such subaccount.

2.31.2 Rollover Repayment Event Unrelated Subaccount. “Rollover Repayment Event Unrelated Subaccount” means the subaccount of the Participant’s Account established to track the money source of Rollover Contributions (if any) made by the Participant in the form of a contribution to the Plan of a coronavirus-related distribution, qualified birth or adoption distribution, or 2020 RMD paid from a retirement plan other than the Plan, and earnings and losses on such subaccount.

2.32 Roth Conversion Subaccount. “Roth Conversion Subaccount” means the separate account, if any, established and maintained by the Department pursuant to Section 4.8. Amounts transferred by the Department from a Participant’s Account that are not Roth Elective Deferral Subaccounts pursuant to Section 4.7 and any attributable investment income and gains shall be credited to the Roth Conversion Subaccount, and any allocated expenses, investment losses and distributions shall be debited to the Roth Conversion Subaccount.

2.33 Roth Elective Deferral. “Roth Elective Deferral” means a Normal Deferral or an Age Based Deferral that is irrevocably designated pursuant to Section 4.7(d) by the Eligible Employee at the time of the cash or deferred election as a Roth Elective Deferral that is being made in lieu of all or a portion of the pre-tax Normal Deferral or Age Based Deferral the Eligible Employee is otherwise eligible to make under the Plan, and treated by the State as includible in the Eligible Employee’s income at the time the Eligible Employee would have received that amount in cash if the Eligible Employee had not made a cash or deferred election.

2.34 Settlement Date. A Participant’s “Settlement Date” shall be the date on which the Participant’s Account balance is distributable because of the first to occur of the following: (i) the date of the Participant’s severance from State employment; or (ii) the first day of the month following the Participant’s retirement at any age because of disability (physical or mental), as certified by a notification from the State to the Department.

2.35 Spouse. “Spouse” means, a person to whom the Participant is legally married as listed on a valid marriage certificate or death certificate.

2.36 State. The “State” means the State of California.

2.37 State Contribution. “State Contribution” means the contributions to the Plan made on a Participant’s or Eligible Employee’s behalf by the State pursuant to Section 4.6.

2.38 Trust. The “Trust” means the trust account established pursuant to the Trust Agreement.

2.39 Trust Agreement. The “Trust Agreement” means the separate agreement entered into by and between the Department and the Trustee, pursuant to which the Trust is held, administered and distributed.

2.40 Trustee. The “Trustee” means the person(s) or entity, and any successors thereto, named in the Trust Agreement who is appointed by the Department to act as trustee of the Trust.

SECTION 3

Eligibility and Participation

3.1 Eligibility to Participate. Subject to this Section 3, eligibility to participate in the Plan shall be determined as follows:

- (a) An Eligible Employee shall be eligible to become a Participant in the Plan on the Eligible Employee's date of hire. An Eligible Employee shall become a Participant by electing to defer compensation in accordance with Section 4.
- (b) Notwithstanding any provision of the Plan to the contrary, an Eligible Employee who is not yet a Participant may make a Rollover Contribution to the Plan in accordance with Section 4.5. Any Eligible Employee who makes a Rollover Contribution to the Plan shall be treated as a Participant.
- (c) An Eligible Employee (who is not a Participant) who is eligible for the State Contribution as provided in Section 4.6 shall be treated as a Participant on the date such Employee becomes eligible for the State Contribution.
- (d) Notwithstanding any provision of the Plan to the contrary, the Department may establish an Account under the Plan on behalf of (1) an Eligible Employee who is not a Participant, or (2) a beneficiary or alternate payee under the State of California Savings Plus Program Alternate Retirement Program (the "ARP") for the purpose of receiving a direct transfer to the Plan representing the individual's account under the ARP. The Department, in its sole discretion, will initially invest the transferred funds on behalf of such Eligible Employee, beneficiary or alternate payee in one or more permissible investment vehicles selected by the Department and such individual will thereafter be eligible to elect investments under Section 5 of the Plan in accordance with the Plan and applicable procedures adopted by the

Department for that purpose. Any Eligible Employee maintaining an Account with transferred funds from the ARP under this Section 3.1(d) will be treated as a Participant.

3.2 Period of Participation. Subject to the provisions of Section 3.5 relating to resumption of participation, an Eligible Employee who becomes a Participant shall continue as a Participant until the later to occur of the date of the Participant's termination of employment with the State or the date on which all assets in the Participant's Account under the Plan have been distributed.

3.3 Leave of Absence. Unless a participant timely elects otherwise, a Leave of Absence will not interrupt continuity of service or an employee's status as a Participant in the Plan.

3.4 Qualified Military Service. Notwithstanding any provision of the Plan to the contrary, contributions, benefits, and service credit with respect to qualified military service shall be provided in accordance with Section 414(u) of the Code.

3.5 Commencement or Resumption of Participation. If a Participant terminates employment with the State and subsequently is reemployed as an Eligible Employee by the State, the Participant shall again be eligible to participate in the Plan as of the first day of the Participant's reemployment with the State. If an Eligible Employee who was not a Participant terminates employment with the State and subsequently is reemployed by the State, the Eligible Employee shall be eligible to become a Participant in the Plan in accordance with Section 3.1.

SECTION 4

Participant and State Contributions

4.1 Normal Deferrals. Subject to the conditions and limitations of the Plan, including the limits on contributions to the Plan set forth in Section 4.3 and Section 7, each Eligible Employee may elect to contribute Normal Deferrals to the Plan for each Plan Year. The Participant's election may irrevocably designate the type (either Roth Elective Deferral, pre-tax deferral or a specific combination) of Normal Deferrals to be withheld. If no designation is made, the amount elected shall be treated as a pre-tax deferral. Normal Deferrals contributed to the Plan as Roth Elective Deferrals may not later be reclassified as pre-tax deferrals. A Participant may elect to change, discontinue, and/or resume Normal Deferrals in accordance with Section 4.2. Subject to the conditions and limitations of the Plan, a Participant's election shall remain in effect until any change, suspension, or termination properly elected by the Participant under Section 4.2 becomes effective. The amount to be deferred shall be withheld from the Participant's Compensation and contributed to the Plan on the Participant's behalf by the State to the Trustee in cash as soon as practicable. As of each Accounting Date, each Participant's Normal Deferrals (if any) since the preceding Accounting Date shall be credited to the Participant's Account.

4.2 Election to Defer Compensation. An Eligible Employee may elect to make Normal Deferrals or Age Based Deferrals (if eligible) to the Plan, in accordance with procedures and time requirements established by the Department, as follows:

- (a) Initial Election: An existing Eligible Employee may make an initial election to make Normal Deferrals or Age Based Deferrals (if eligible) to the Plan by entering into an agreement to defer Compensation before the first day of the month in which the Compensation to be deferred is paid or made available. A newly hired Eligible Employee may make an election to make Normal Deferrals

or Age Based Deferrals (if eligible) by entering into an agreement to defer Compensation within the same month that the Compensation is paid or made available so long as the agreement is made on or prior to the first day that the Eligible Employee performs any service for the State.

- (b) Change of Election: A Participant may elect to change, discontinue, and resume making Normal Deferrals or Age Based Deferrals (if eligible) within limits established by the Department. Any such election must be made before the first day of the month in which the compensation to be effected is paid or made available.
- (c) Election to Defer Vacation and Leave Pay: A Participant may elect to defer accrued but unused vacation pay, sick pay (to which the Participant is otherwise entitled due to a disability retirement) and all leave pay that is:
 - (i) paid or made available at the time of severance from employment, or
 - (ii) received after severance from employment, provided the amounts are paid by the later of (a) 2-1/2 months after severance from employment, or (b) the end of the calendar year during which the severance from employment occurs, but only if the Participant would have been able to use the leave if employment had continued.

The election to defer such vacation or leave is only valid if an agreement providing for the deferral is entered into within the timeframe specified in State law (California Labor Code Sections 201, 202, and 219) and Treasury Regulations.

- (d) Election to Defer Vacation and Annual Leave Pay under the "Leave Buy-Back" Program: A Participant may irrevocably elect, prior to the beginning of a Plan

Year, to defer the lesser of the elected amount of vacation or annual leave accrued in the next Plan Year, or the amount of vacation or annual leave accrued in the next Plan Year authorized by the Participant's employer for the "Leave Buy-Back" program in that Plan Year.

4.3 Normal Deferrals Limit. In no event shall a Participant's Normal Deferrals and any contributions made by the Participant pursuant to a salary reduction arrangement under Section 403(b) of the Code for any calendar year exceed the lesser of one hundred percent (100%) of the Participant's Compensation for the Plan Year or the limit described in Section 402(g) of the Code in effect for such calendar year, except to the extent permitted under Section 4.4. The Section 402(g) limit for 2020 is \$ 19,500. After 2020, the limit will be adjusted for cost-of-living increases in accordance with Sections 402(g)(4) and 415(d) of the Code.

4.4 Age Based Deferrals. All Participants who will attain age fifty (50) on or before the last day of a taxable year shall be eligible to make additional elective deferrals for that year as Age Based Deferrals in addition to the Normal Deferrals described in Sections 4.1 and 4.2. The Participant may irrevocably designate the type (either Roth Elective Deferral, pre-tax deferral or a specific combination) of Age Based Deferrals to be withheld. If no designation is made, any Age Based Deferral shall be treated as a pre-tax deferral. Age Based Deferrals contributed to the Plan as Roth Elective Deferrals may not later be reclassified as pre-tax deferrals. The determination of whether an elective deferral is an Age Based Deferral shall be made no later than the last day of the Plan Year, and only amounts deferred in excess of the annual contribution limits on Normal Deferrals set forth in Sections 4.3 or 7.1 shall be allocated as Age Based Deferrals. Age Based Deferrals shall not be taken into account for purposes of the provisions of the Plan implementing the required limitations of Sections 402(g) and 415 of the Code. The amount that may be contributed to the Plan as an annual Age Based Deferral may not exceed the

lesser of (1) one hundred percent (100%) of the Participant's Compensation for the Plan Year minus all elective deferrals that the Participant has already made to all employee benefit plans sponsored by the State for the Plan Year, or (2) the dollar limit described in Section 414(v) of the Code in effect for such calendar year. The Section 414(v) dollar limit for 2020 is \$6,500. After 2020, the limit will be adjusted for cost-of-living increases in accordance with Sections 414(v) and 415(d) of the Code.

4.5 Rollover Contributions. The Department may direct the Trustee to receive on behalf of a Participant (or an Eligible Employee) a Rollover Contribution of all or any portion of an Eligible Rollover Distribution from an Eligible Retirement Plan, subject to the following:

- (a) The Department may accept an Eligible Rollover Distribution in the form of a Direct Rollover or an Indirect Rollover. The Department shall establish rules and procedures regarding the acceptance of Rollover Contributions, including the methods by which Direct Rollovers, Indirect Rollovers, and individual retirement account (or annuity) rollovers may be made to the Plan.
- (b) As of each Accounting Date, each Participant's Rollover Contributions (if any) since the preceding Accounting Date shall be credited to the Participant's Rollover Subaccount.
- (c) If the Department learns that all or part of a Rollover Contribution, Rollover Repayment Event Related Contribution, or Rollover Repayment Event Unrelated Contribution did not meet the requirements of the Code, the Plan shall distribute to the Participant the nonqualified portion of such contribution (and earnings or losses thereon) that was credited to the Participant's Rollover Subaccount, Rollover Repayment Event Related Subaccount or Rollover Repayment Event Unrelated Subaccount.

4.6 State Contribution. Subject to the provisions in this Section 4.6 and Section 7, the State may contribute a State Contribution for each manager, supervisor, confidential and specified excluded employee (as defined in the State's personnel policies and procedures) as follows:

(a) Amount of State Contribution

- (i) for each Eligible Employee with a collective-bargaining identifier of manager and related excluded designations (M, E59, E79, E89, E91 and E99), an amount of \$100 per month;
- (ii) for each Eligible Employee with a collective-bargaining identifier of supervisory, confidential and related excluded designations (S, C, E48, E58, E67, E68, E77, E78, E88, E97 and E98), an amount of \$50 per month;
- (iii) The State Contribution amount provided in (i) or (ii), as applicable, shall not be prorated for partial months of eligibility, provided that the Employee meets the requirements of paragraph (b).

(b) Eligibility for State Contribution. In order to be eligible for the State Contribution, an Eligible Employee must be defined in Section (a)(i) or (ii) above, and:

- (i) must have a permanent appointment, exempt appointment, or a Career Executive Appointment, as defined in State personnel policies, of at least half-time; or have a limited term appointment or temporary authorization appointment provided they had a permanent appointment immediately preceding the limited term appointment or temporary authorized appointment without a break in service;
- (ii) must be on pay status on the 15th day of the calendar month; and

- (iii) permanent, intermittent employees must be compensated for at least 240 hours within the qualifying calendar quarter.
- (c) If an Eligible Employee meets the requirements of this Section 4.6, the State Contribution set forth in (a) above shall be made in the month following the close of each calendar quarter unless the State makes the contribution at an earlier date.
- (d) This Section 4.6 and the obligation to make the State Contribution ceased to be effective June 30, 2001. However, the State may affirmatively adopt a resolution continuing the effectiveness or resumption of this Section. Any decision to fund the State Contribution shall automatically extend the effectiveness of this Section 4.6 for the duration of such funding.

4.7 Roth Elective Deferrals.

- (a) Application of Section. This Section will apply to contributions beginning on or after January 1, 2013.
- (b) Roth Elective Deferrals Accepted. As of the effective date under Section 4.7(a), an Eligible Employee may elect to irrevocably designate at the time of the Eligible Employee's salary deferral election all or a portion of his Normal Deferrals and Age Based Deferrals as Roth Elective Deferrals in lieu of being treated as pre-tax deferrals.
- (c) Elections. An Eligible Employee may elect to designate all or any portion of future Normal Deferrals or Age-Based Deferrals as Roth Elective Deferrals or to change or revoke any previous election to designate future Normal Deferrals and Age Based Deferrals as either Roth Elective Deferrals or pre-tax deferrals at the same time and in the same manner as the Eligible Employee may elect to make, change or revoke elections pursuant to Section 4.2(b). An election to contribute

amounts to the Plan as Roth Elective Deferrals is irrevocable with respect to those amounts and such amounts may not later be reclassified as pre-tax deferrals. In the absence of a specific election to treat Normal Deferrals or Age-Based Deferrals as Roth Elective Deferrals, such deferrals shall be treated as pre-tax deferrals.

(d) Roth Elective Deferrals Treated as Normal Deferrals and Age Based Deferrals.

Unless specifically stated otherwise, Roth Elective Deferrals will be treated as Normal Deferrals and Age Based Deferrals for all purposes under the Plan, including, but not limited to, for purposes of the individual annual limitation on Normal Deferrals and Age Based Deferrals under Code section 402(g) described in Sections 4.3 and 4.4.

(e) Separate Accounting. An Eligible Employee's Roth Elective Deferrals will be allocated to a separate Roth Elective Deferral Subaccount maintained for such deferrals as described in Section 6.1(d). Contributions and withdrawals of Roth Elective Deferrals will be credited and debited to the Roth Elective Deferral Subaccount maintained for each Participant.

(i) Records. The Plan will maintain a record of the date of the first Roth Elective Deferral and thereafter the amount of Roth Elective Deferrals in each Participant's Roth Elective Deferral Subaccount.

(ii) Gains or Losses. Gains, losses, and other credits or charges must be separately allocated on a reasonable and consistent basis to each Participant's Roth Elective Deferral Subaccount and the Participant's other Accounts under the Plan.

- (iii) Only Roth Elective Deferral Credit. No contributions other than Roth Elective Deferrals and properly attributable earnings will be credited to each Participant's Roth Elective Deferral Subaccount.
- (f) Re-employed Veterans. To the extent required by the Code, re-employed veterans may designate the year for which a Roth contribution is made. If no such designation is made, the Roth contribution will be treated as having been made in the first year of military service for which the veteran could have made the contributions but not earlier than January 1, 2013. This designation shall be made solely for the purpose of the 5 taxable year requirement of Code section 402A(d)(2).

4.8 In-Plan Roth Conversion. A Participant may elect to transfer all or any portion of the Participant's Account balance (other than the Participant's Roth Elective Deferral Subaccount balance, if any) to a Roth Conversion Subaccount. A Participant's surviving Spouse may elect to transfer all or any portion of the Participant's Account balance (other than the Participant's Roth Elective Deferral Subaccount balance, if any) to a Roth Conversion Subaccount. An Alternate Payee who is a spouse or former spouse of a Participant may elect to transfer all or any portion of the Alternate Payee's Separate Account balance to a Roth Conversion Subaccount. Participants' non-spouse Beneficiaries are not permitted to make transfers pursuant to this Section 4.8. Any amount that a Participant, surviving Spouse or Alternate Payee elects to transfer to a Roth Conversion Subaccount pursuant to this Section 4.8 shall be irrevocable and irreversible and shall be treated by the State as includible in the Participant's, surviving Spouse's or Alternate Payee's income in the year of the transfer in the same manner as if the amount had been distributed and directly rolled over into a Roth IRA.

4.9 Qualified Nonelective Contributions. For any Plan Year, the Plan may accept a Qualified Nonelective Contribution to a Participant's Qualified Nonelective Contribution Subaccount made in accordance with policies and procedures established by the Department. A Qualified Nonelective Contribution shall be treated as a Normal Deferral for all purposes under the Plan, except that the amount of any Qualified Nonelective Contribution shall not be taken into account for purposes of Section 7.3 regarding excess deferrals.

SECTION 5

Investment of 401(k) Contributions

5.1 Investment Alternatives. The Department shall have the exclusive authority to determine the Investment Alternatives provided in the core portfolio for the investment of Participants' Accounts including at least three investment funds, each of which is diversified and has materially different risk and return characteristics. The Department, in its sole discretion, may designate or establish new Investment Alternatives or eliminate existing Investment Alternatives. The Investment Alternatives under the Plan shall also be limited to the extent necessary to ensure the continued qualification of the Plan under the Code and the cost-efficient and timely administration of the Plan. Pursuant to Section 19993.05 of the California Government Code, no fiduciary of the Plan shall be liable for any loss that results from any individual investment by a Participant in the Plan.

5.2 Participants' Investment Elections.

- (a) Initial Election. Subject to any rules, limits and procedures established by the Department and the rules and regulations of the Investment Alternatives, each Participant may elect to have all or a portion of the 401(k) Contributions credited to such Participant's Account invested in one or more of the Investment Alternatives. A Participant may make an allocation election under this paragraph by any method designated by the Department in accordance with rules established by the Department. Any election made under this paragraph shall be in such amounts as may be determined by the Department. Each investment election made by a Participant under this paragraph shall be effective as determined by the Department and shall apply to contributions made to the Plan on and after the effective date of the election.

- (b) Change of Election. Subject to rules, limits and procedures established by the Department and the rules and regulations of the Investment Alternatives, each Participant may elect to have all or a portion of the amount invested on the Participant's behalf in any Investment Alternative transferred to any one or more of the Investment Alternatives. A Participant may make a transfer election under this paragraph by any method designated by the Department in accordance with rules established by the Department. Any election made under this paragraph shall be in such percentage or dollar increments as may be determined by the Participant in accordance with rules established by the Department. Each election made by a Participant under this paragraph shall be effective as determined by the Department.

SECTION 6

Accounting

6.1 Participants' Accounts. The Department shall maintain in the name of each Participant, Beneficiary in the case of the Participant's death, and/or Alternate Payee, as applicable, an Account. The Account shall be divided into the following money source subaccounts :

- (a) Participant Deferral Subaccount. A Participant Deferral Subaccount shall be established to reflect all Normal Deferrals and Age Based Deferrals contributed by the Participant to the Plan and the value of the Investment Alternatives in which the Participant Deferral Subaccount is invested. The money sources include Normal Deferrals and Age Based Deferrals.
- (b) Roth Elective Deferral Subaccount. A Roth Elective Deferral Subaccount shall be established to reflect all Roth Elective Deferrals contributed by the Participant to the Plan and the value of the Investment Alternatives in which the Roth Elective Deferral Subaccount is invested.
- (c) Rollover Subaccount. A Rollover Subaccount shall be established to reflect any Rollover Contributions made by the Participant to the Plan and the value of the Investment Alternatives in which the Participant's Rollover Subaccount is invested.
 - (i) Rollover Repayment Event Related Subaccount. A Rollover Repayment Event Related Subaccount shall be established to reflect any Rollover Contributions made by the Participant in the form of a contribution to the Plan of a Coronavirus-Related Distribution, Qualified Birth or Adoption Distribution, 2020 RMD or Extended 2020 RMD paid from the Plan, and earnings and losses on such subaccount.

- (ii) Rollover Repayment Event Unrelated Subaccount. A Rollover Repayment Event Unrelated Subaccount shall be established to reflect any Rollover Contributions made by the Participant in the form of a contribution to the Plan of a coronavirus-related Distribution, qualified birth or adoption distribution, or 2020 RMD paid from a retirement plan other than the Plan, and earnings and losses on such subaccount.

- (d) Roth Conversion Subaccount. The Department shall establish and maintain a separate Roth Conversion Subaccount for each Participant who elects in accordance with Section 4.8 to transfer any amount from the Participant's Account or subaccounts that are not a Roth Elective Deferral Subaccount. A separate Roth Conversion Subaccount will be established for each year in which such a transfer is made, and the five-year period during which the amount transferred is subject to a penalty under Code sections 72(t) and 402A and Treasury Regulations thereunder begins for each transfer with the calendar year in which the transfer occurs.

- (e) Roth Rollover Contribution Subaccount. Effective for Rollover Contributions made on or after January 1, 2006, the Department shall establish and maintain a separate Roth Rollover Contribution Subaccount for each Participant who makes a direct rollover contribution to the Plan from a designated Roth account under another plan. The five-year period during which a Roth Rollover Contribution is subject to the qualified distribution rules under Code section 402A and Treasury Regulations thereunder begins with the year in which the Participant first had designated Roth contributions made to the designated Roth account from which

the Roth Rollover Contribution was made, if earlier than the first year in which the Participant first makes a Roth Elective Deferral to the Plan.

- (f) State Contribution Subaccount. A State Contribution Account shall be established to reflect any State Contribution made on behalf of a Participant and the value of the Investment Alternatives in which the Participant's State Contribution Account is invested.
- (g) Qualified Nonelective Contribution Subaccount. A Qualified Nonelective Contribution Subaccount shall be established to reflect any Qualified Nonelective Contribution made on behalf of a Participant and the value of the Investment Alternatives in which the Participant's Qualified Nonelective Contribution Subaccount is invested.

In addition to the subaccounts described above, the Department may maintain such other subaccounts in the names of Participants, Beneficiaries, or Alternate Payees as are considered necessary or advisable. The Department may establish such rules and procedures relating to the maintenance, adjustment and liquidation of Participants' subaccounts and the crediting of contributions, earnings and losses, as are considered necessary or advisable. Except as expressly modified, all subaccounts maintained for a Participant may be referred to collectively as the Participant's Account. A Participant shall be fully vested in the Participant's Account under the Plan at all times.

Each Participant's Account will be fully vested upon his or her attainment of age 55, which is the "normal retirement age" for purposes of the Plan. This paragraph is included in order to comply with IRS Revenue Ruling 66-11. Nothing in this paragraph is intended to contradict the preceding paragraph, which provides for full vesting of Participants' Accounts at all times. In

addition, “normal retirement age” will be relevant for this paragraph only, and is not intended to have any force or effect for any other purpose.

6.2 Accounting Dates. Each day that the value of an Investment Alternative is adjusted for contributions, withdrawals, distributions, earnings, gains, or losses is an Accounting Date. It is anticipated that each Investment Alternative shall be valued as of each day on which the New York Stock Exchange is open for trading.

6.3 Adjustment of Account in Investment Funds. Participants’ Accounts invested in the Investment Alternatives shall be maintained on the basis of dollar values or units that may be converted to dollar values. Pursuant to rules established by the Department, Participants’ assets in an Investment Alternative shall be adjusted as of each Accounting Date to reflect any distributions, contributions, earnings, gains, or losses with respect to such assets since the previous Accounting Date on which such assets were adjusted.

6.4 Qualified Domestic Relations Orders. Separate Accounts shall be set up for Alternate Payees under QDROs and administered in accordance with procedures adopted by the Department. If the Department establishes an Account on behalf of an ARP Alternate Payee upon transfer of the alternate payee’s benefits to this Plan in accordance with Section 3.1(d), the QDRO ordering a benefit payment to such Alternate Payee from the ARP will be deemed a QDRO ordering such benefit payment from this Plan. Notwithstanding this Section or anything in the Plan to the contrary, the required minimum distribution rules under Code section 401(a)(9) and its underlying Treasury Regulations apply to Alternate Payees and the Alternate Payee’s benefits under a QDRO as described in Section 9.4.

SECTION 7

Contribution and Benefit Limitations

7.1 Contribution Limitations. The “Annual Addition” to a Participant’s Account for any Limitation Year is the combined Normal Deferrals and State Contributions credited to a Participant’s Account for that Limitation Year. For purposes of the Plan, the “Limitation Year” is the Plan Year. For each Limitation Year, the Annual Addition to a Participant’s Account shall not exceed the lesser of \$ 57,000 (in 2020) or one hundred percent (100%) of the Participant’s Section 415 Compensation during that Limitation Year. After 2020, the dollar amount will be adjusted to reflect cost-of-living adjustments made by the Secretary of the Treasury pursuant to Section 415(d) of the Code. If it is anticipated that a Participant’s Annual Addition for a Limitation Year may exceed the limitation of this Section 7.1, the Department may suspend the Participant’s Normal Deferrals for the Limitation Year.

- (a) Section 415 Compensation means compensation as defined in section 415(c)(3) of the Code, which is all salary, wages and amounts received for services rendered to the State to the extent includable in gross income, including differential wage payments as defined in section 3401(h)(2) of the Code, plus elective deferrals under sections 402(g), 125, 132(f), 403(b), and 457(b) of the Code. Section 415 Compensation for any Limitation Year also includes the Post-Severance Payments defined below, provided that the amounts are paid to the Participant by the later of (i) 2-1/2 months after the Participant’s severance from employment, or (ii) the end of the Limitation Year during which the Participant’s severance from employment occurs.

- (b) A “Post-Severance Payment” for purposes of this Section 7.1 means:
- (i) Regular compensation for services, compensation for services outside the Participant’s regular working hours (such as overtime or shift differential), commissions, bonuses, and other similar payments, but only if such amounts would have been paid to the Participant if the Participant had continued in employment with the State; and
 - (ii) Payments for unused accrued bona fide sick leave (to which the Participant is otherwise entitled due to a disability retirement), vacation, or other leave, but only if the Participant would have been able to use the leave if employment had continued.
- (c) In no event shall the amount of a Participant’s Section 415 Compensation taken into account for any Limitation Year exceed \$285,000 (as that limitation is adjusted from time to time by the Secretary of the Treasury pursuant to Section 401(a)(17)(B) of the Code).

7.2 Combining of Plans. In applying the limitation set forth in Section 7.1, reference to this Plan shall mean this Plan and all other defined contribution plans qualified under Section 401(a) of the Code (whether or not terminated) that are maintained by the State.

7.3 Excess Deferrals. As of each December 31, the Department shall determine the total elective deferrals made to the Plan by each Participant. The elective deferrals shall first be applied as Normal Deferrals to the maximum amount the Participant is eligible to defer as a Normal Deferral in that Plan Year. Deferrals that exceed the Normal Deferral limit, as defined in Section 4.3, shall be dealt with as follows:

- (a) Participant Ineligible to Make Age Based Deferrals. If the Participant is not eligible to make an Age Based Deferral for that Plan Year, the total amount of

Normal Deferrals in excess of the Normal Deferral limit (and any income or earnings thereon) shall be paid to the Participant by the following April 15.

- (b) Participant Eligible to Make Age Based Deferrals. If the Participant is eligible to make an Age Based Deferral for that Plan Year, any elective deferral that exceeds the Normal Deferral limit shall be designated as an Age Based Deferral for the Participant in that Plan Year to the maximum amount allowed under Section 414(v) of the Code. To the extent that the elective deferrals exceed the combined Normal Deferral limit and Age Based Deferral limit, such excess elective deferrals (and any income or earnings thereon) shall be paid to the Participant by the following April 15.
- (c) Participation in More than One State Sponsored Plan. If a Participant's total elective deferrals (as defined in Section 402(g) of the Code) under this Plan and any other plan sponsored by the State for any calendar year exceed the annual dollar limits described in Section 4, the amount that total deferrals for a Participant exceeds the combined deferral limit (and any income or earnings thereon) shall be paid to the Participant from this Plan by the following April 15.
- (d) Participation in Plans of More than One Sponsor. If a Participant's total elective deferrals (as defined in Section 402(g) of the Code) under this Plan and any other plan not sponsored by the State for any calendar year exceed the annual dollar limits described in Section 4, the Participant may notify the Department in writing (on or before March 1 of the next following calendar year) of the Participant's election to have all or a portion of the Participant's Normal Deferrals and/or Age Based Deferrals (and the income or earnings allocated to such Normal Deferrals

and/or Age Based Deferrals) under this Plan distributed in accordance with this Section 7.3.

The income allocable to a distribution to a Participant of excess deferrals for a Plan Year shall be determined under any reasonable method selected by the Department, provided such method is used consistently for all Participants and for all corrective distributions for the Plan Year, and is based on the method for allocating income to Participants' Accounts.

7.4 Nondiscrimination Testing of Normal Deferrals. Pursuant to Section 401(k)(3)(G) of the Code, the Plan shall be treated as meeting the participation and nondiscrimination requirements of Section 401(k)(3) of the Code.

SECTION 8

In-Service Withdrawals and Participant Loans

8.1 Voluntary Withdrawals - Age 59-½. Subject to rules the Department may establish, a Participant who has attained age 59-½ and whose Settlement Date has not occurred may elect to withdraw all, or any portion, of the Participant's Account. Each withdrawal election shall be made at such time and in such manner as the Department determines and shall be effective in accordance with rules the Department establishes. The amount to be withdrawn shall be withdrawn from the Investment Alternatives in the order determined by the Department for withdrawals from the Plan.

8.2 Hardship Withdrawals. Subject to rules the Department may establish and paragraphs (a) through (d) below, a Participant whose Settlement Date has not occurred and who has not attained age 59-½ may request a hardship withdrawal from the Participant's Account by submitting a request to the Department. A Participant's request for a hardship withdrawal must include evidence deemed necessary by the Department. Such request must be made at such time and in such manner as the Department determines. A hardship withdrawal made under this Section shall be subject to the following terms and conditions:

- (a) The Department may allow a Participant to withdraw all or any portion of his or her Participant Deferral Subaccount, Rollover Subaccount, Roth Rollover Contribution Subaccount, Roth Elective Deferral Subaccount, Roth Conversion Subaccount, and Qualified Nonelective Contribution Subaccount, including any earnings thereon.
- (b) A hardship withdrawal may be made only on account of one of the following immediate and heavy financial needs of a Participant:

- (i) Expenses for (or necessary to obtain) medical care by the Participant, the Participant's spouse, or any dependents of the Participant (as defined in Section 152 of the Code, determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof) that would be deductible from the Participant's federal income taxes under Section 213(d) of the Code determined without regard to whether the expenses exceed the applicable percentage of adjusted gross income in Section 213(a) of the Code;
- (ii) Costs (excluding mortgage payments) directly related to the purchase of the principal residence of the Participant;
- (iii) Payment of the next twelve months of post-secondary tuition, related educational fees, and room and board expenses for the Participant, the Participant's spouse, child or the Participant's dependent (as defined in section 152 of the Code, without regard to section 152(b)(1), (b)(2) and (d)(1)(B));
- (iv) Payments necessary to prevent the eviction of the Participant from the Participant's principal residence or foreclosure on the mortgage on the Participant's principal residence;
- (v) Payments for burial or funeral expenses for the Participant's deceased parent, spouse, child or dependent (as defined in section 152 of the Code, without regard to section 152(d)(1)(B));
- (vi) Expenses for the repair of damage to the Participant's principal residence that would qualify as a casualty deduction from the Participant's federal income taxes under Code section 165 determined without regard to

whether the loss exceeds 10% of adjusted gross income, and, effective January 1, 2018, Code section 165(h)(5);

- (vii) Expenses and losses (including loss of income) incurred by the Participant on account of a disaster declared by the Federal Emergency Management Agency (FEMA) under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, Pub. L. 100-707, provided that the Participant's principal residence or principal place of employment at the time of the disaster was located in an area designated by FEMA for individual assistance with respect to the disaster; and
 - (viii) Other events provided for in revenue rulings, notices or other documents of general applicability published by the Commissioner of Internal Revenue.
- (c) A hardship withdrawal may not be in excess of the amount necessary to satisfy the immediate and heavy financial need of the Participant. In accordance with rules and procedures the Department may establish, the amount of a hardship withdrawal may include the amount necessary to pay any Federal, state, or local income taxes or penalties reasonably anticipated to result from the withdrawal.
- (d) A hardship distribution is treated as necessary to satisfy the immediate and heavy financial need of the Participant only if:
- (i) the Participant has obtained all other currently available distributions other than hardship distributions under this Plan and all other plans of deferred compensation, whether qualified or nonqualified, maintained by the State; and

- (ii) for a distribution that is made on or after January 1, 2020, the Participant represents (in writing, by an electronic medium (as defined in § 1.401(a)-21(e)(3)) or such other form as may be prescribed by the IRS) that they have insufficient cash or other liquid assets reasonably available to satisfy the need. The Department may rely on the Participant's written representation, unless the Department has actual knowledge to the contrary.
- (e) The amount to be withdrawn shall be withdrawn from the Investment Alternatives in the order determined by the Department for withdrawals from the Plan. The Department shall report any such distribution as a hardship distribution, regardless of which subaccounts fund such distribution.

8.3 Loans to Participants. The Department may establish a Participant loan program under the Plan. The Department may limit the number of loans available per Participant, or terminate the loan program, at any time. Any loan program established under the Plan will comply with the requirements of Code section 72(p)(2) and its underlying Treasury Regulations. In addition to the loan policies and procedures established by the Department to operate a loan program, all loans shall be subject to the following terms and conditions:

- (a) Loan Program Basics Requirements.
 - (i) Each loan shall be evidenced by a note in a form furnished by the Department or Department's designee. The note shall bear interest at the rate that is in effect on the date of the loan. The interest rate is the prime rate plus a percentage as determined by the Department. The prime rate used to determine the interest rate will be based on the rates published in the Wall Street Journal as described in the Plan's loan policies and

procedures. The interest rate shall be reviewed periodically to ensure the rate is commensurate with those charged by commercial lenders. Each loan shall require substantially level amortization over the term of the loan and must be repaid according to the terms described in Section 8.3(d).

- (ii) Primary residence loans and general purpose loans may be made available under the Plan's loan program. A "primary residence loan" is a loan that is to be used to purchase a dwelling unit that, within a reasonable time (as determined at the time the loan is made), is to be used as the Participant's principal residence. A "general purpose loan" is a loan that is not a primary residence loan.
 - (iii) The Department may assess fees for expenses of administration of the loan program.
 - (iv) A loan may not be made to a Participant after the Participant's Settlement Date has occurred.
 - (v) No loans may be made to Beneficiaries or to Alternate Payees.
 - (vi) Each loan to a Participant shall be secured by a pledge of a portion of the Participant's Account balances under the Plan equal to the amount borrowed.
- (b) Amount of loans. The maximum amount of any loan made to a Participant, when added to the outstanding balance of all other loans made to the Participant, shall not exceed the lesser of (i) or (ii) below:
- (i) \$50,000, reduced by the excess (if any) of:

- (A) the highest outstanding balance of loans from the Plan during the one-year period ending on the day before the date on which such loan was made, minus
 - (B) the outstanding balance of all loans from the Plan on the date such loan was made.
- (ii) Fifty percent (50%) of the present value of the Participant's Account balances under the Plan as of the date the loan was made. For purposes of this Section 8.3(b) only, the term "Plan" shall include all employee benefit plans sponsored by the State of California. Notwithstanding the preceding sentence, pursuant to Section 8.3(a)(vi), the maximum loan amount available from a Participant's Account shall not exceed fifty percent (50%) of the present value of the Account balance as of the date the loan was made.
- (iii) A minimum loan amount may be established by the Department which may be adjusted from time to time.
- (c) Sources for loans. The maximum amount of any loan made to a Participant is determined by the combined value of the Participant's: Deferral Subaccount; Roth Elective Deferral Subaccount; Rollover Subaccount; Rollover Repayment Event Related Subaccount; Rollover Repayment Event Unrelated Subaccount; Roth Conversion Subaccount; Roth Rollover Subaccount; and Qualified Nonelective Contribution Subaccount. Effective for any loan taken on or after January 1, 2016, only pre-tax money sources will be liquidated and converted into cash to make the loan.
- (d) Repayment of loans.

- (i) Each loan that is a general purpose loan shall specify a repayment period that shall not exceed five (5) years. Each loan that is a primary residence loan shall specify a repayment period that shall not exceed fifteen (15) years. In the case of a Qualified Individual, as defined in Section 8.7, the maximum repayment period for a general purpose or primary residence loan shall be extended pursuant to Section 8.3(d)(ix), below.
- (ii) Payments must be made in accordance with the level amortization requirement of Code section 72(p)(2)(C) by Participants who do not meet the requirements of subsections (d)(iv),(v), or (ix), below. Except as provided in Section 8.3(d)(vii) or (viii), any payment in excess of the required monthly repayment shall be returned to the Participant.
- (iii) As payments are made with respect to a loan, the unpaid balance of such loan shall be reduced. Payments of principal and interest shall be credited to the Participant's Account and invested in accordance with the Participant's current investment election.
- (iv) Prior to January 1, 2016, the following rules applied to a Participant on an approved medical Leave of Absence: a Participant on an approved medical Leave of Absence, other than qualified military leave, without pay or at a level of pay (after employment taxes are withheld) that is less than the loan repayment amount may request a suspension of their loan repayments. The suspension period shall be the lesser of the period of the Participant's medical Leave of Absence or 12 months. However, the loan must be repaid by the latest permissible term of the loan and the amount of the monthly repayments due after the medical Leave of Absence ends

must not be less than the amount required under the terms of the original loan. All other Participants on an approved medical Leave of Absence must continue to make loan payments by certified check or such other means approved by the Department.

- (v) Effective January 1, 2016, a Participant on an approved Leave of Absence, other than qualified military leave, without pay may request a suspension of their loan repayments. The suspension period shall be the lesser of the period of the Participant's Leave of Absence or 12 months. However, the loan must be repaid by the latest permissible term of the loan and the amount of the monthly repayments due after the approved Leave of Absence ends must not be less than the amount required under the terms of the original loan. Effective January 1, 2016, all Participants on a paid Leave of Absence must continue to make loan payments.
- (vi) Participants on a military leave of absence qualifying under the Uniformed Services Employment and Reemployment Rights Act may request a suspension of their loan repayments in accordance with section 414(u)(4) of the Code.
- (vii) A Participant whose Settlement Date occurs after the Participant has received a loan, and who has an outstanding loan balance as of their Settlement Date, may repay the loan in full in accordance with procedures established by the Department or continue to make repayments on such loan (according to the loan's amortization schedule). To the extent the Participant fails to repay the loan or make timely repayments, taking into account the Plan's cure period described in subsection (e)(i), below, the

outstanding balance of any loan will be treated as an actual distribution to the Participant, and the Participant's Account balance will be reduced by the amount of the actual distribution. The reduction of the Participant's Account balance shall be applied in accordance with the rules established under Code section 72(p)(2) and its underlying Treasury Regulations, and Code section 402(c)(3) and its underlying Treasury Regulations. The Department will establish procedures for the repayment of loans outstanding as of a Participant's Settlement Date. However, if the Participant's Settlement Date occurs as a result of the Participant's death and the Participant has an outstanding loan as of their Settlement Date, the loan immediately becomes due in full. The outstanding balance will be subtracted from the total Account balance in determining the amount of the actual distribution from the Participant's Account.

- (viii) A Participant may repay without penalty the entire outstanding balance of a loan and accrued interest thereon at any time prior to the Participant's Settlement Date, or after the Participant's Settlement Date in accordance with procedures established by the Department. Partial repayments are not permitted.
- (ix) Upon the request of a Participant who is a Qualified Individual, as defined in Section 7.7, loan payments due between March 27, 2020 and December 31, 2020 (the "Suspension Period") shall be suspended. Payments suspended under this Section shall resume after the end of the Suspension Period. Interest that accrues during the Suspension Period shall be added to the remaining principal of the loan. At the end of the Suspension

Period, the loan shall be reamortized and shall be repaid in substantially level installments over the remaining period of the loan, plus up to one (1) year from the date the loan was originally due to be repaid.

(e) Unpaid loans. Unless loan payments are suspended during a Participant's period of qualified military leave or under Section 8.3(d)(iv), 8.3(d)(v), or 8.3(d)(ix), if a Participant fails to timely make scheduled loan repayments the following shall apply:

(i) The Participant shall have until the last day of the calendar quarter following the calendar quarter in which the delinquent amount was first due to repay the delinquent amount.

(ii) If the Participant does not repay the delinquent amount by the period specified in 8.3(e)(i), the loan shall be considered in default. Defaulted loans shall be handled under uniform rules established by the Department in accordance with Code section 72(p)(2) and its underlying Treasury Regulations. Such rules include, but are not limited to, the following:

(A) For Participants who have not yet reached their Settlement Date, on the date that a loan is considered in default, an amount equal to such loan or any part thereof, together with the accrued interest thereon, shall be deemed distributed to the Participant. Except as otherwise specifically agreed to by the Internal Revenue Service as part of the Employee Plans Compliance Resolution Program, deemed distributions are taxable events to the Participant in the year that they occur. The outstanding balance of the loan at the time of the deemed distribution, plus any interest that accrues

thereon, remains a liability of the Participant. Since the amount of the deemed distribution, including accrued interest, remains an outstanding obligation of the Participant: (1) the total amount of the obligation will reduce any amount available to the Participant under any loan program of an employee benefit plan sponsored by the State of California, and (2) interest on the deemed amount will continue to accrue until repaid by the Participant or through an offset by the Plan. Prior to January 1, 2016, a defaulted loan will count against the number of loans available to the Participant.

Effective for any loan made on or after January 1, 2016, unless and until the defaulted loan is repaid in full, no other Plan loan will be made to the Participant. A defaulted loan may be repaid only in accordance with procedures established by the Department.

- (B) If the Participant has reached their Settlement Date on the date the loan is considered in default, the promissory note shall immediately become due and payable and an amount equal to such loan or any part thereof, together with the accrued interest thereon, shall be treated as an actual distribution to the Participant, and the Participant's Account balance will be reduced by the amount of the actual distribution, unless, effective January 1, 2016, the loan is repaid in full, including accrued interest, in accordance with procedures established by the Department. The reduction of the Participant's Account balance shall be applied in accordance with the rules established under Code section 72(p)(2) and its

underlying Treasury Regulations, and Code section 402(c)(3) and its underlying Treasury Regulations. The amount of the actual distribution shall be a taxable event to the Participant in the year that it occurs.

- (C) In accordance with the Code, the deemed distribution of a loan in default cannot be designated as a qualified distribution from a Roth Account.

8.4 Purchase of Service Credit under Defined Benefit Plan.

- (a) Prior to Severance from State Employment. A Participant who has not had a severance from state employment, or a person who is either a Beneficiary or a spousal Alternate Payee under a QDRO who would be treated as the eligible distributee of any distribution or payment from the Plan may elect to make a direct transfer of any or all of their Account balance to a defined benefit governmental plan (as defined in section 414(d) of the Code), that accepts such transfers, in order to purchase permissive service credit or to make a repayment in accordance with the terms of such plan. Such elections and transfers will be made in accordance with procedures established by the Department.
- (b) After Severance from State Employment. A Participant who has had a severance from state employment, or a person who is either a Beneficiary or a spousal Alternate Payee under a QDRO who is an eligible distributee of any distribution or payment from the Plan, may elect to make a Direct Rollover of any or all of their Account balance to a defined benefit governmental plan (as defined in section 414(d) of the Code), that accepts such Rollovers, in order to purchase permissive service credit or to make a repayment in accordance with the terms of

such plan. Such elections and rollovers will be made in accordance with procedures established by the Department.

8.5 Military Service.

- (a) Qualified Reservist Withdrawals. Notwithstanding any provision of the Plan to the contrary, with respect to a Participant whose Settlement Date has not occurred, if such Participant is, by reason of being a member of a reserve component (as defined in Section 101 of Title 37, United States Code) ordered or called to active duty for a period at least 180 days or an indefinite period, the Department may permit the Participant to withdraw all, or any portion, of the Participant's Account that is attributable to Normal Deferrals and Age Based Deferrals, but only during the period beginning on the date of such order or call and ending at the close of the active duty period.
- (b) Uniformed Service Withdrawals. Notwithstanding any provision of the Plan to the contrary, with respect to a Participant whose Settlement Date has not occurred, during any period that such Participant is performing service in the uniformed services (as defined in Chapter 43 of Title 38, United States Code) while on active duty for a period of more than 30 days, the Participant may withdraw all, or any portion, of the Participant's Account that is attributable to Normal Deferrals and Age Based Deferrals. If the Participant elects to receive a withdrawal under this Section 8.5(b), the Participant may not make elective contributions to the Plan, or to any 401(k), 403(b) or 457(b) plan maintained by the State of California during the six-month period beginning on the date of distribution.”

- (c) Coordination. If a Participant is eligible to make withdrawals under both paragraphs (a) and (b) above, any such withdrawal will be treated as a qualified reservist distribution under Section 8.5(a).

8.6 Withdrawal of Rollover Amounts. Subject to the rules the Department may establish, a Participant whose Settlement Date has not yet occurred may request a withdrawal of all or any portion of the Participant's Rollover Subaccount, including any accrued interest. Such withdrawal requests must be made at such time and in such manner as the Department determines. Withdrawals from a Participant's Roth Rollover Subaccount are subject to qualified distribution rules under Code section 402A and Treasury Regulations thereunder.

8.7 Coronavirus-Related Distributions.

- (a) Distribution Limits. Subject to the provisions of this Section, on or after January 1, 2020, and before December 31, 2020, a Qualified Individual, as defined in Section 8.7(b), below may, at the time and in the manner prescribed by the Department, elect to receive a Coronavirus-Related Distribution from their Account, subject to the following limits:
- (i) The maximum amount of all Coronavirus-Related Distributions from the Plan is \$25,000; and
 - (ii) The aggregate amount of all Coronavirus-Related Distributions received by the Qualified Individual from all retirement plans sponsored by the State of California may not exceed \$100,000.
- (b) Qualified Individual. A "Qualified Individual" means a Participant, a Beneficiary of a Participant who died before distribution of their entire Account, or an Alternate Payee:

- (i) Who is diagnosed with the virus SARS-CoV-2 or with coronavirus disease 2019 (collectively, “COVID-19”) by a test approved by the Centers for Disease Control and Prevention, including a test authorized under the Federal Food, Drug, and Cosmetic Act (“Approved Test”);
- (ii) Whose Spouse or dependent (as defined in Code section 152) is diagnosed with COVID-19 by an Approved Test, or
- (iii) Who experiences adverse financial consequences as a result of any of the following circumstances, to the extent due to COVID-19:
 - (A) The individual, their Spouse or any person who shares the individual’s principal residence (i) being quarantined, furloughed, laid off, or having their work hours reduced; (ii) being unable to work due to lack of child care; (iii) having a reduction in pay (or self-employment income); or (iv) having a job offer rescinded or job start date delayed; or
 - (B) The closing or reduction in hours of a business owned or operated by the individual, their Spouse or any person who shares the individual’s principal residence.
- (c) Reliance on Self-Certification. The Department may rely on the Qualified Individual’s self-certification that at least one of the conditions described in Section 8.7(b), above, have been met, and shall not inquire further into whether the individual is a Qualified Individual, absent actual knowledge to the contrary.
- (d) Treatment of Distribution. A Coronavirus-Related Distribution will not be treated as an Eligible Rollover Distribution for purposes of Section 9.5, and the rules

under sections 401(a)(31), 402(f), and 3405 of the Code will not apply to a Coronavirus-Related Distribution.

- (e) Recontribution. In the case of a Qualified Individual who is a Participant or a Beneficiary who is the surviving spouse of a Participant, except for any portion of a Coronavirus-Related Distribution from the Plan made from a Participant's Roth Conversion Subaccount or Roth Elective Deferral Subaccount, a Coronavirus-Related Distribution from the Plan or any portion thereof, may be recontributed at any time during the three-year period beginning on the day after the date the Coronavirus-Related Distribution was received, provided that, but for Section 8.7(d), above, the distribution would have qualified as an Eligible Rollover Distribution. In that case, the recontributed amount will be treated as a Rollover Contribution. If the Department learns that all or part of a recontributed Coronavirus-Related Distribution did not meet the requirements of the Code, the Plan shall distribute to the Participant the nonqualified portion of the recontributed Coronavirus-Related Distribution (and earnings thereon) that was credited to the Participant's Rollover Subaccount.

8.8 Qualified Birth or Adoption Distribution. Effective January 1, 2021, subject to rules the Department may establish and paragraphs (a) through (c) below, a Participant, excluding a Beneficiary, whose Settlement Date has not occurred may request a qualified birth or adoption distribution from the Participant's Account by filing a written or electronic request with the Department. A Participant's request for a qualified birth or adoption distribution must include evidence deemed necessary by the Department, and the Department is permitted to rely on reasonable representations of eligibility for a qualified birth or adoption distribution made by the Participant, absent actual knowledge to the contrary. A request for a qualified birth or adoption

distribution must be made at such time and in such manner as the Department determines. A qualified birth or adoption distribution made under this Section shall be subject to the following terms and conditions:

- (a) A Participant may request a distribution of up to a maximum of \$5,000 per child and such amount shall be distributed from the Participant's subaccounts and Investment Alternatives in the order determined by the Department for distributions from the Plan.
- (b) A qualified birth or adoption distribution may be made only during the one-year period beginning on the date on which the child of the Participant is born or the legal adoption by the Participant of an eligible adoptee is finalized. An "eligible adoptee" is any individual who has not attained age 18 or is physically or mentally incapable of self-support, as determined under Code section 72(m)(7). However, an eligible adoptee does not include an individual who is the child of the Participant's spouse.
- (c) Except for any portion of a qualified birth or adoption distribution from the Plan made from a Participant's Roth Conversion Subaccount or Roth Elective Deferral Subaccount, a qualified birth or adoption distribution from the Plan may be recontributed to the Plan; however, a qualified birth or adoption distribution shall not be treated as an Eligible Rollover for purposes of Section 9.5, or the rules under sections 401(a)(31), 402(f), and 3405 of the Code.

SECTION 9

Distributions Following Settlement Date

9.1 Manner of Distribution. Subject to the conditions set forth below, each Participant whose Settlement Date has occurred (or the Participant's Beneficiary in the case of the death of the Participant or Alternate Payee in the case of a QDRO, subject to the restrictions of Section 9.6) may elect distribution of the balance in the Participant's Account in the form of one of the payment options described in Section 9.2 below. In accordance with Section 9.5, a Participant may elect a Direct Rollover of any payment that constitutes an Eligible Rollover Distribution. Payment of a Participant's Account shall be made within a reasonable time after the Participant has elected distribution and the value of the Participant's Account has been determined. A Participant may defer distribution of the Participant's Account after the Participant's Settlement Date unless the Participant is subject to the provisions of Sections 9.3 or 9.4 below. If a Participant should die prior to the complete distribution of the Participant's Account, the remaining Account balance shall be paid to the Beneficiary of the deceased Participant as provided under the Plan.

9.2 Distribution Options. Subject to the provisions of Sections 9.3 and 9.4, after each Participant's Settlement Date, distribution of the Participant's Account balance, after all final adjustments have been made, shall be made to or for the benefit of the Participant, the Alternate Payee, or in the case of death to or for the benefit of the Participant's Beneficiary, by one or more of the following methods offered by the Department and as elected by the Participant, the Alternate Payee or the Participant's Beneficiary in accordance with procedures established by the Department :

- (a) By payment in a lump sum or partial lump sum;

- (b) By a series of periodic payments over the Participant's, the Participant's Beneficiary's or the Alternate Payee's lifetime made in accordance with procedures established by the Department;
- (c) By a Direct Rollover of any payment that constitutes an Eligible Rollover Distribution in accordance with Section 9.5; or
- (d) By a combination of the above.

9.3 Involuntary Lump Sum Distribution. Notwithstanding Section 9.2, if the value of Participant's Account does not exceed One Thousand Dollars (\$1,000.00), and no additional amounts may be deferred under the Plan with respect to the Participant, the Department may distribute to the Participant a lump sum payable after the Participant's Settlement Date. For purposes of the preceding sentence, the Participant's Roth Elective Deferral Subaccount and the Participant's Account, including other subaccounts, under the Plan, shall be treated as accounts held under two separate plans within the meaning of Code section 414(l).

9.4 Required Minimum Distributions. Distribution of the balance of a Participant's Account shall be made in accordance with Section 401(a)(9) of the Code and the regulations thereunder and as set forth below. If there is any conflict between the requirements of this Section 9.4 and Section 401(a)(9) of the Code and the regulations issued under Section 401(a)(9), Section 401(a)(9) of the Code and the regulations shall apply.

- (a) Payments to Participant. The distribution of the balance in a Participant's Account must commence by April 1 of the calendar year following the later of (i) the calendar year in which the Participant attains 72 or (ii) the calendar year in which the Participant retires. Payments must be made at least as rapidly as over the Participant's life expectancy under the Uniform Lifetime Table set forth in Treasury Regulation section 1.401(a)(9)-9. If the Participant's sole Beneficiary is their

spouse, the joint life expectancy under the Joint and Last Survivor Table set forth in Treasury Regulation section 1.401(a)(9)-9 shall be used to determine the amount to be distributed if longer than the Uniform Lifetime Table life expectancy. A final payment under this Section must be made in the calendar year of the Participant's death.

(b) Payments to Alternate Payees. Notwithstanding any plan provision to the contrary, in the case of distribution of an Account established for an Alternate Payee under the terms of a QDRO as described in section 6.4, the distribution must commence by April 1 of the calendar year following the later of (i) the calendar year in which the Participant attains 72 or (ii) the calendar year in which the Participant retires. Payments must be made at least as rapidly as over the Alternate Payee's life expectancy under the Single Life Table set forth in Treasury Regulation section 1.401(a)(9)-9.

(c) Payments after Year of Death.

(i) Commencement of Distribution. If a Participant dies and their sole Beneficiary is their surviving spouse, the required beginning date is the later of: December 31 of the calendar year immediately following the calendar year in which the Participant died, or December 31 of the calendar year in which the Participant would have attained age 72. If a Participant dies and they have more than one Beneficiary or their sole Beneficiary is not the Participant's surviving spouse, the required beginning date is December 31 of the calendar year following the calendar year of the Participant's death.

- (ii) Distribution to Surviving Spouse. If a Participant dies before their entire interest is distributed and their sole Beneficiary is their surviving spouse, distributions after the Participant's death shall be made at least as rapidly as over the life expectancy of the Participant's surviving spouse and determined each year under the Single Life Table. If the Participant's surviving spouse dies after the Participant but before distributions to the surviving spouse are required to begin, this Section, other than Section 9.4(c)(i) shall apply as if the surviving spouse were the Participant.
- (iii) Distribution to Beneficiary other than Surviving Spouse.
 - (A) Effective with respect to Participants who die on or before December 31, 2021, if a Participant dies before their required beginning date and their surviving spouse is not their sole Beneficiary, distributions after the Participant's death shall be paid no less rapidly than over the Beneficiary's life expectancy. The Beneficiary's life expectancy shall be determined under the Single Life Table in Treasury Regulation section 1.401(a)(9)-9 and reduced by one for each year after the year of the first payment. If the Participant has multiple Beneficiaries, each of whose benefit is allocated to a separate Account, and such separate account is established no later than the last day of the year following the calendar year of the Participant's death, each Beneficiary's remaining life expectancy shall be used to calculate the annual required distribution from each Beneficiary's Account.

(B) Effective with respect to Participants who die after December 31, 2021, if the Participant dies before their entire interest is distributed, the Participant's entire interest, or remainder of the Participant's entire interest if distributions have already begun to the Participant before their death, shall be distributed to the Participant's Beneficiary or Beneficiaries, or begin to be distributed, no later than as follows:

(I) If the Participant's Beneficiary is an Eligible Designated Beneficiary, as defined below, distributions to the Eligible Designated Beneficiary shall be paid no less rapidly than over the Beneficiary's life expectancy. Eligible Designated Beneficiary, the Beneficiary's life expectancy shall be determined under the Single Life Table in Treasury Regulation section 1.401(a)(9)-9 and reduced by one for each year after the year of the first payment. If the Participant has multiple Eligible Designated Beneficiaries, each of whose benefit is allocated to a separate Account, and such separate account is established no later than the last day of the year following the calendar year of the Participant's death, each Eligible Designated Beneficiary's remaining life expectancy shall be used to calculate the annual required distribution from each Eligible Designated Beneficiary's Account.

1. If an Eligible Designated Beneficiary dies before the portion of the Participant's interest subject to this Section is entirely distributed, the remainder of such portion shall be distributed within 10 years of the Eligible Designated Beneficiary's death.
 2. If a child who is an Eligible Designated Beneficiary by reason of the child not having reached the age of majority before the Participant's death, reaches the age of majority before the portion of the Participant's interest subject to this Section is entirely distributed, the remainder of such portion shall be distributed within 10 years of the Eligible Designated Beneficiary's attainment of the age of majority.
- (II) If the Participant's Beneficiary is not an Eligible Designated Beneficiary, as defined below, the Participant's entire interest shall be distributed by December 31 of the calendar year containing the tenth anniversary of the Participant's death.
- (III) An Eligible Designated Beneficiary for purposes of this Section means a Participant's designated beneficiary who, as of the date of the Participant's death, is:
1. the Participant's surviving spouse,

2. subject to the rule in (I)(2) above, a child of the Participant who has not reached the age of majority within the meaning of Code section 401(a)(9)(F),
3. disabled within the meaning of Code section 72(m)(7),
4. a chronically ill individual within the meaning of Code section 7702B(c)(2), except that the requirements of subparagraph (A)(i) thereof will be treated as met only if there is a certification that, as of such date, the period of inability described in such subparagraph with respect to the individual is an indefinite one that is reasonably expected to be lengthy in nature, or
5. an individual not described in any of the preceding subsections who is not more than 10 years younger than the Participant.

- (iv) Distribution to Trust or if no Beneficiary. If no Beneficiary is designated (as described in the Treasury Regulations issued with respect to section 401(a)(9) of the Code) or if the Beneficiary is a trust, estate or organization the entire remaining account balance shall be paid in a single lump sum no later than December 31 of the year following the calendar year of the Participant's death.
- (v) Multiple Beneficiaries. If the Participant has multiple Beneficiaries each of whose benefit is allocated to a separate Account no later than the last

day of the year following the calendar year of the Participant's death ,
each Beneficiary's remaining life expectancy shall be used to calculate the
annual required distribution from each Beneficiary's Account.

- (d) Temporary Waiver of Required Minimum Distributions for 2020. Effective January 1, 2020, notwithstanding any other provision of this Section 9.4, a Participant or Beneficiary who had not previously elected to receive periodic Plan payments of a fixed amount or over a fixed period, who would have been required to receive required minimum distributions in 2020 (or paid in 2021 for the 2020 calendar year for a Participant with a Required Beginning Date of April 1, 2021) but for the enactment of section 401(a)(9)(I) of the Code ("2020 RMDs"), and who would have satisfied that requirement by receiving distributions that are (i) equal to the 2020 RMDs or (2) one or more payments (that include the 2020 RMDs) in a series of substantially equal distributions made at least annually and expected to last for the life (or life expectancy) of the Participant, the joint lives (or joint life expectancy) of the Participant and the Participant's designated Beneficiary, or for a period of at least 10 years ("Extended 2020 RMDs"), will not receive those distributions for such calendar year unless the Participant or Beneficiary chooses to receive such distributions. In addition, notwithstanding Section 2.18 of the Plan, 2020 RMDs and Extended 2020 RMDs, solely for purposes of applying the direct rollover provisions of Section 9.5 of the Plan, will be treated as Eligible Rollover Distributions. Participants and Beneficiaries who received a 2020 RMD or Extended 2020 RMD from the Plan may elect to contribute such RMD to the Plan as an indirect rollover, provided the contribution is made by the later of 60 days after the distribution, or August 31, 2020.

9.5 Direct Rollovers. Certain individuals who are to receive certain distributions under the Plan may elect that such distributions be paid in the form of a Direct Rollover (as described in Section 401(a)(31) of the Code and the regulations thereunder) to the trustee or custodian of an Eligible Retirement Plan that accepts Direct Rollovers, subject to the following:

- (a) Eligible Rollover Distribution. A distribution may be paid in a Direct Rollover under this Section only if the distribution constitutes an Eligible Rollover Distribution. Notwithstanding the immediately preceding sentence, an Eligible Rollover Distribution includes only those amounts that would be includable in the gross income of the Eligible Distributee if such amounts were not rolled over to another plan as provided under Section 402(c) of the Code. However, a portion of a distribution paid as a Direct Rollover will not fail to be an Eligible Rollover Distribution merely because the portion consists of after-tax contributions that are includable in gross income, if the plan to which the distribution is made is: (i) a qualified trust or annuity contract described in Code section 403(b) that agrees to separately account for the taxable and non-taxable portions of the amount rolled over, or (ii) an individual retirement account or annuity described in section 408(a) or (b) of the Code.
- (b) Eligible Retirement Plan. Direct Rollovers of Eligible Rollover Distributions may be made to Eligible Retirement Plans. Notwithstanding the immediately preceding sentence, Direct Rollovers on behalf of an Eligible Distributee who is a nonspouse Beneficiary may only be made in accordance with Section 9.5(c).
- (c) Non-Spouse Beneficiaries. Direct Rollovers of Eligible Rollover Distributions may be made on behalf of an Eligible Distributee who is a nonspouse Beneficiary, but only if the nonspouse Beneficiary elects a direct trustee to trustee transfer to

an inherited individual retirement account or annuity (“IRA”) that meets the requirements of Section 408(d)(3)(C)(ii) of the Code and that is established for the purpose of receiving the distribution on behalf of a designated beneficiary (within the meaning of Section 401(a)(9)(E) of the Code) who is a nonspouse Beneficiary. The IRA must (i) be identified as an IRA with respect to a decedent, (ii) identify the deceased Participant, and (iii) identify the designated Beneficiary. Any such transfer must comply with the rules of Section 402(c)(11) of the Code and with all other applicable rules and regulations governing such transfers that are issued by the Internal Revenue Service.

- (d) Minimum Amounts. An Eligible Distributee may elect a Direct Rollover of all or a portion of an Eligible Rollover Distribution only if the total amount of the Eligible Rollover Distributions expected to be received by the Eligible Distributee during the Plan Year is \$200 or more (or such lesser amount as the Department may establish). An Eligible Distributee may elect payment of a portion of an Eligible Rollover Distribution as a Direct Rollover and may receive directly the remainder of such distribution, provided that the amount paid by Direct Rollover is at least \$500 (or such lesser amount as the Department may establish).
- (e) Elections. An Eligible Distributee’s election of a Direct Rollover pursuant to this Section must be made at such time and in such manner as the Department determines. The Department shall establish rules and procedures it deems necessary to provide for distributions by means of a Direct Rollover.

9.6 Immediate Distributions to Alternate Payees. The Department shall direct distribution of the amount of a Participant’s Account assigned to an Alternate Payee on the earliest date specified in the QDRO, without regard to whether such payments commence prior to the

Participant's earliest retirement age (as defined in Section 414(p)(4)(B) of the Code). As set forth in Section 6.4, a separate account shall be set up for the Alternate Payee and administered in accordance with procedures adopted by the Department for that purpose. In the case of an Alternate Payee who is the former Domestic Partner of a Participant: 1) no distribution may be paid to the Alternate Payee until the Participant is eligible for a distribution under the Plan; 2) a distribution to the Alternate Payee is taxable for federal tax purposes to the Participant, who may elect withholding on the distribution, or may elect to have no withholding, and 3) the distribution to the Alternate Payee is not an Eligible Rollover Distribution.

9.7 Designation of Beneficiary. Each Participant may designate any person or persons (who may be designated concurrently, contingently or successively) as the Participant's Designated Beneficiary, to whom the Participant's benefits are to be paid if the Participant dies before the Participant receives all of Participant's benefits. A beneficiary designation must be made by the Participant in a method as determined under rules and procedures established by the Department. Each beneficiary designation shall supersede all prior beneficiary designations made by the Participant. A Participant's designation of their Spouse as their Beneficiary shall automatically be revoked upon the Participant's divorce from their Spouse. A Participant's designation of their Domestic Partner as their Beneficiary shall automatically be revoked upon the termination or dissolution of the Participant's domestic partnership, as determined under the rules and procedures established by the Department.

If a deceased Participant failed to designate a Beneficiary as provided above, or if all Designated Beneficiaries named on the Participant's last effective beneficiary designation do not survive the Participant, or if the Participant's designation of their Spouse or Domestic Partner as their Beneficiary is automatically revoked as set forth above, the Participant's benefits shall be distributed as follows:

- (a) to the Participant's Spouse or Domestic Partner, or if neither;
- (b) to the Participant's children (including adopted children), or if none;
- (c) to the Participant's parents, or if none;
- (d) to the Participant's brothers and sisters, or if none;
- (e) to the Participant's probated estate, or if not probated;
- (f) to the Participant's trust, or if none;
- (g) to the Participant's stepchildren, or if none;
- (h) to the Participant's grandchildren, or if none;
- (i) to the Participant's nieces and nephews, or if none;
- (j) to the Participant's great-grandchildren, or if none;
- (k) to the Participant's cousins, or if none;
- (l) in accordance with state law for intestate estates.

Notwithstanding the foregoing provisions of this Section, a Beneficiary may not designate another Beneficiary to receive their benefits under the Plan. If a Beneficiary survives the Participant and claims the Participant's Account in accordance with procedures established by the Department, but dies before they have received their complete share of benefits under the Plan, the remaining funds owed to the Beneficiary will be paid to the Beneficiary's trust, or if none exists, the funds will be paid to the Beneficiary's estate. However, if a Beneficiary who is designated by the Participant as one of the Participant's "primary" Beneficiaries survives the Participant but dies before they claim the Participant's Account in accordance with procedures established by the Department, the deceased primary Beneficiary's share of the Participant's Account will be paid on a pro rata basis to any remaining primary Beneficiaries, or if none, the Participant's Account will be paid to any "contingent" Beneficiary or Beneficiaries designated by the Participant, or if none, in accordance with the rules described above for distribution in the

cases of: 1) a deceased Participant who failed to designate a Beneficiary, 2) when all Designated Beneficiaries named on the Participant's last effective beneficiary designation do not survive the Participant, or 3) when the Participant's designation of their Spouse or Domestic Partner as their Beneficiary is automatically revoked.

9.8 Missing Participants or Beneficiaries. Each Participant and each Designated Beneficiary must maintain a current address with the Department in accordance with Department rules and procedures. . If a Participant dies before the Participant receives the entire balance of the Participant's Account, the Participant's Beneficiary must file any change in the Beneficiary's post office address with the Department. Any communication, statement or notice addressed to a Participant or Beneficiary at the last post office address filed with the Department, or if no address is filed with the Department then, in the case of a Participant, at the Participant's last post office address as shown on the State's records, shall be binding on the Participant and the Participant's Beneficiary for all purposes of the Plan. The State and the Department shall not be required to search for or locate a Participant or Beneficiary. If the Department notifies a Participant or Beneficiary that the Participant or Beneficiary is entitled to a payment and also notifies the Participant or Beneficiary of the provisions of this Section, and the Participant or Beneficiary fails to claim the Participant's or Beneficiary's benefits or make such person's whereabouts known to the Department within three (3) years after the notification, the benefits of the Participant or Beneficiary shall escheat to the state of California, to the extent permitted by applicable law.

9.9 Facility of Payment. When a person entitled to benefits under the Plan is under legal disability, or is incapacitated so as to be unable to manage the person's financial affairs, the Department may pay the benefits to such person's legal representative or the Department may direct the application of such benefits for the benefit of such person. Any payment made in

accordance with the preceding sentence shall be a full and complete discharge of any liability for such payment under the Plan.

9.10 Recovery of Overpayments. Effective January 1, 2016, the Department is authorized to recover any amount paid to a Participant or Beneficiary from the Plan in excess of the amount to which such individual was entitled under the Plan, with interest (“Overpayment”), including the right to:

- (a) Seek repayment of the Overpayment from the Participant or Beneficiary;
- (b) Offset the Overpayment against any future distribution from the Plan; and/or
- (c) In the case of a Participant who is eligible for a distribution and has in their Plan Account a balance equal to or greater than the amount of the Overpayment, deduct the amount of the Overpayment from the Participant’s Plan Account.

SECTION 10

General Provisions

10.1 Interests Not Transferable. Except as provided in Section 8.4, the interests of Participants and their Beneficiaries under the Plan are not in any way subject to their debts or other obligations and, except as may be required by federal or State law, may not be voluntarily or involuntarily sold, transferred, alienated or assigned. Notwithstanding the foregoing, the Plan shall comply with any domestic relations order that, in accordance with procedures established by the Department, is determined to be a QDRO.

10.2 Absence of Guaranty. The Department, the State, and the Trustee do not in any way guarantee the Trust from loss or depreciation. The liability of the Trustee to make any payment under the Plan shall be limited to the assets held by the Trustee that are available for that purpose.

10.3 Employment Rights. The Plan does not constitute a contract of employment, and participation in the Plan shall not give any Employee the right to be retained in the employ of the State, nor any right or claim to any benefit under the Plan, unless such right or claim has specifically accrued under the terms of the Plan.

10.4 Litigation by Participants or other Persons. To the extent permitted by law, if a legal action against the State, the Trustee, or the Department by, or on behalf of, any person results adversely to that person, or if a legal action arises because of conflicting claims to a Participant, Alternate Payee or Beneficiary's benefits, the cost to the State, the Trustee, or the Department of defending the action shall be charged to the extent possible to the sums, if any, that were involved in the action or were payable to the Participant, Alternate Payee or Beneficiary concerned.

10.5 Evidence. Evidence required of anyone under the Plan may be made by certificate, affidavit, document or other information that the person acting on it considers pertinent and reliable, and must be signed, made or presented by the proper party or parties.

10.6 Waiver of Notice. Any notice required under the Plan may be waived by the person entitled to such notice.

10.7 Controlling Law. To the extent not superseded by the laws of the United States, the laws of California (without regard to its choice of law principles) are controlling in all matters relating to the Plan.

10.8 Statutory References. Any reference in the Plan to the Code means the Internal Revenue Code of 1986, as amended. Any reference in the Plan to a section of the Code, or to a section of any other Federal law, shall include any comparable section or sections of any future legislation that amends, supplements or supersedes that section.

10.9 Severability. In case any provision of the Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect the remaining provisions of the Plan, and the Plan shall be construed and enforced as if such illegal and invalid provision had never been set forth in the Plan.

10.10 Number. Where the context admits, words in the plural include the singular, and the singular includes the plural.

10.11 Indemnification. To the extent permitted by law, any member or former member of the Department, any person who was, is, or becomes an officer of the State, or any employee of the State to whom the Department or the State has delegated any portion of its responsibilities under the Plan, shall be indemnified and saved harmless by the State (to the extent not indemnified or saved harmless under any liability insurance contract or other indemnification arrangement with respect to the Plan) from and against any and all liability to which such person may be subject by

reason of any act done or omitted to be done in good faith with respect to the administration of the Plan, including all expenses reasonably incurred in that person's defense in the event the State fails to provide such defense after having been requested in writing to do so.

10.12 Form of Elections. Notwithstanding anything contained in the Plan to the contrary, any election permitted or required to be made by a Participant or Beneficiary under this Plan shall be made pursuant to any method determined by the Department in its sole discretion.

10.13 No Reversion. The State shall have no right, title or interest in the assets of the Trust. Except as required by Section 9.8, no part of the assets of the Trust at any time shall revert to or be paid to the State, directly or indirectly.

10.14 Correction of Administrative Errors. The Department will take such steps as it considers necessary and appropriate to remedy any error under the Plan that results from incorrect information received or communicated in good faith, or administrative or operational error. Such steps may include, but will not be limited to, the following:

- (a) Taking any action required under the Employee Plans Compliance Resolution System (Revenue Procedure 2019-19) or in any subsequent Revenue Procedure or guidance issued by the Internal Revenue Service;
- (b) Reallocating assets held pursuant to the Plan;
- (c) Adjusting the amounts of future payments to Participants, Beneficiaries or Alternate Payees; and
- (d) Instituting and prosecuting actions to recover benefit payments made in error or on the basis of incorrect or incomplete information.

SECTION 11

Amendment and Termination

11.1 Amendment. While the State expects and intends to continue the Plan, the State reserves the right to amend the Plan by action of the Department. The Department is authorized to cause to be prepared, to approve, and to execute any amendments to the Plan that the Department determines are necessary to comply with applicable law, regulations, and rulings or to reflect rules and procedures developed by the Department. Notwithstanding the foregoing:

- (a) An amendment may not change the duties and liabilities of the Department or the Trustee without the consent of the Department or the Trustee, whichever is applicable;
- (b) An amendment shall not reduce the value of a Participant's nonforfeitable benefits accrued prior to the later of the adoption or the effective date of the amendment; and
- (c) Under no condition shall any amendment result in the return or repayment to the State of any part of the Trust or the income therefrom or result in the distribution of the Trust for the benefit of anyone other than Participants and any other persons entitled to benefits under the Plan.

11.2 Termination. Subject to applicable law, the Plan shall terminate as to all Participants on any date specified by the State provided thirty (30) days' advance written notice of the termination is given to the Department and the Participants.

11.3 Nonforfeitability and Distribution on Termination. On termination or partial termination of the Plan, the rights of all affected Participants, Beneficiaries and Alternate Payees to benefits accrued to the date of such termination, after all adjustments then required have been made, shall be nonforfeitable. The Department shall specify the date of such termination or partial

termination as a special Accounting Date. As soon as practicable after all adjustments required as of that date have been made to the Accounts of Participants, Beneficiaries and Alternate Payees, the Department shall distribute benefits under the Plan to each such affected Participant, Beneficiary and Alternate Payee. All appropriate provisions of the Plan shall continue to apply until the Accounts of all such Participants, Beneficiaries and Alternate Payees have been distributed under the Plan.

11.4 Notice of Termination. Participants, or Beneficiaries if the Participant is deceased, and Alternate Payees shall be notified of the termination of the Plan within a reasonable time.

11.5 Plan Merger, Consolidation, Etc. In the case of any merger or consolidation with, or transfer of assets or liabilities to, any other Plan, each Participant's benefits (if the Plan terminated immediately after such merger, consolidation or transfer) shall be equal to or greater than the benefits the Participant would have been entitled to receive if the Plan had terminated immediately before the merger, consolidation or transfer.

SECTION 12

The Department

12.1 Plan Administration. The Plan is administered by the Department.

12.2 The Department's General Powers, Rights, and Duties. The Department shall have all the powers necessary and appropriate to discharge its duties under the Plan, which powers shall be exercised in the sole and absolute discretion of the Department, including, but not limited to, the following:

- (a) To construe and interpret the provisions of the Plan and to make factual determinations thereunder, including the power to determine the rights or eligibility under the Plan of Eligible Employees, Participants, or any other persons, and the amounts of their benefits (if any) under the Plan, and to remedy ambiguities, inconsistencies or omissions. Such determinations by the Department shall be binding on all parties.
- (b) To adopt such rules of procedure and regulations as in its opinion may be necessary for the proper and efficient administration of the Plan and as are consistent with the Plan and Trust Agreement.
- (c) To enforce the Plan in accordance with the terms of the Plan and the Trust Agreement and in accordance with the rules and regulations the Department has adopted.
- (d) To direct the Trustee with respect to payments or distributions from the Trust in accordance with the provisions of the Plan.
- (e) To furnish the State with such information as may be required by it for tax or other purposes in connection with the Plan.

- (f) To employ agents, attorneys, accountants, actuaries or other persons (who also may be employed by the State) and to allocate or delegate to them such powers, rights and duties as the Department may consider necessary or advisable to properly carry out the administration of the Plan, provided that such allocation or delegation and the acceptance thereof by such agents, attorneys, accountants, actuaries or other persons, shall be in writing.
- (g) The Department reserves the right to charge reasonable fees to Participants for the administration of the Plan.

12.3 Information Required by the Department. Each person entitled to benefits under the Plan shall furnish the Department with such documents, evidence, data or information as the Department considers necessary or desirable for the purpose of administering the Plan. The State shall furnish the Department with such data and information as the Department may deem necessary or desirable in order to administer the Plan. The records of the State as to an Eligible Employee's or a Participant's period of employment, termination of employment and the reason therefore, Leaves of Absence, reemployment, and compensation shall be conclusive on all persons unless determined by the Department to be incorrect.

12.4 Review of Benefit Determinations. The Department shall provide notice in writing to any Participant, Beneficiary or Alternate Payee whose claim for benefits under the Plan is denied, and the Department shall afford such Participant, Beneficiary or Alternate Payee a review of its decision if requested.

12.5 Department's Decision Final. Subject to applicable law, any interpretation of the provisions of the Plan and any decision on any matter within the discretion of the Department made by the Department in good faith shall be binding on all persons. A misstatement or other

mistake of fact shall be corrected when it becomes known, and the Department shall make such adjustment on account thereof as it considers equitable and practicable.

12.6 Notice. Any notice or document required to be given to or filed with the Department shall be properly given or filed in a manner determined by the Department.