

## Investment Options

### Fixed Income and Stock Portfolios

RSA-1 funds are invested under the same authority and restrictions that govern investments made by the Teachers' and Employees' Retirement Systems. The RSA-1 Deferred Compensation Plan offers the option to invest in either fixed income investments, stocks, or a combination of both. The funds in both the RSA-1 fixed and stock investment option are not self-directed; rather they are invested as a pool.

The RSA-1 fixed portfolio is invested in fixed income investments such as corporate bonds, U.S. agency obligations, government national mortgage association securities, and commercial paper. The stock portfolio is invested in an S&P 500 Index Fund, which invests in the stock of America's 500 largest companies.

Earnings or losses are posted to your account monthly and your accounts are valued monthly at market value. The RSA-1 staff can further explain these options to you, but cannot advise you regarding which particular option to elect.

When it comes to risk and reward, stocks and bonds generally behave differently. When choosing between the stock and bond options, you should strive for an optimal blend of risk and reward - based on your age, years until retirement, and tolerance for risk.

For instance, members approaching retirement might consider allocating more of their assets to bonds than to stocks because bonds tend to have a more predictable income stream than stocks. Generally, bonds offer a level of security that stocks do not. The trade-off is that bonds traditionally provide more modest rates of return over the long term than stocks.

Historically, stocks have provided the highest returns over time, but stock prices fluctuate - sometimes dramatically. Most financial experts say that the younger you are, the more you should emphasize stocks. The longer your investment horizon, the more time you have to ride out the inevitable ups and downs in the stock market. In fact, over periods of 20 years or more, stocks have historically provided positive returns.

### New Participants

New participants must complete the [INVESTMENT OPTION ELECTION FOR NEW ACCOUNTS](#) form and submit it with your [RSA-1 ENROLLMENT](#) and [BENEFICIARY DESIGNATION](#) forms to RSA-1 to open an account.

### Existing Participants

Existing participants will be able to change their investment option every 365 days. The election will remain in effect until a subsequent eligible election is made, but it must remain in effect for 365 days.

If you do not wish to change your investment option, the election will remain in effect until you decide to make a change. You may stop deferrals at any time, but the election will remain in effect if you subsequently resume deferrals. Complete the [ANNUAL INVESTMENT OPTION ELECTION](#) form or request it from Member Services.

### Tax Information

You do not pay current federal or state income taxes on your investment earnings. RSA-1 deferrals and earnings are only subject to taxes when the deferrals are withdrawn from RSA-1.

## Rates of Return

Your earnings are based on market conditions. For rates of return on investments, visit [Rate of Returns](#) or call Member Services.