Proposed Retirement Plan Changes for FY 2015-16

University Senate

Town Hall Forum

January 27, 2015

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Changes To The Retirement Plan

- Administrative Regulation 3:1 was amended in May 2013 by the UK BOT to allow the EVPFA to execute and amend an Investment Policy Statement (IPS) and to use a committee and consultant to oversee the Plan.

Committee Established

- The EVPFA established the Retirement Plan Oversight Committee during the summer of 2013.

  Committee members:

• Kim Wilson	VP for HR, Chief HR Officer
• Joey Payne	Chief Benefits Officer
• Susan Krauss	Treasurer
• Ronda Beck	Controller
• Ed Erway	Employee Benefits Committee, UK HealthCare
• Shannan Carroll	UK Legal Office
• Brad Jordan	Business & Economics, Chair, Dept. of Finance & Quantitative Methods
• Paul Childs	Business & Economics, Assoc. Prof. Finance & Quantitative Methods

Consultant Hired

- Cammack Retirement Group (CRG) hired to consult with the University on its retirement plan.

Initial Results

- CRG consulted with Fidelity & TIAA-CREF to negotiate management fees and the required revenue to operate the plan.
- In exchange for administrative concessions:
  - Fidelity lowered its fees by $814K.
  - TIAA-CREF lowered its fees by $1.2M
- $2M in annual savings for Plan Participants

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Administrative Concessions

- Using a SPARK file format for contributions. **(complete)**
  - Common format used by retirement carriers
- Provide salary data on remittance file**(complete**)
- Eliminate 15 year catch-up on 403(b) voluntary contributions **(up for discussion)**
- Reduce the number of loans from 5 to 3 **(up for discussion)**

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Proposed Changes for Employees

- Lower fees on investments
- Loan Policy (effective 7/1/15)
  - Limits loans to 3 (current loans grandfathered)
  - Limits source of loans to employee contribution
- 15 Year Catch-up under 403(b) would be eliminated for 2015 (current employees doing this catch-up are grandfathered)
    - Maximum $3K per year for 5 years
  - **After this change, employees over age 50 and earning less than $233,333 can still shelter $48K above the required 5%**

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Investment Line-up Effective 7/1/15

- Tier I (Target Date Funds)
  - Change to Fidelity & TIAA-CREF index funds will provide **$1.2M in saving annually** for plan participants
- Tier II (core line-up)
  - Use of best in class fund in 14 asset classes
  - Non-Fidelity & TIAA-CREF funds not chosen will be moved to Tier III
  - Fidelity & TIAA-CREF funds not chosen will be moved to Tier III
- Tier III (all remaining Fidelity & TIAA-CREF funds)

Tier I Changes

FIDELITY

- Current Fidelity Freedom K series actively managed target date/lifecycle funds will map to the Fidelity Freedom Index series

- All current balances and participant investment allocations will be mapped to the new funds as of the effective date (7/1/2015)

TIAA-CREF

- Current TIAA-CREF Lifecycle series actively managed lifecycle funds will map to the TIAA-CREF Lifecycle Index series

- All current balances and participant investment allocations will be mapped to the new funds as of the effective date (7/1/2015)

Current Fidelity Tier II

Fund Name	Ticker	Fidelity		
Money Market				
Fidelity Retirement Money Market	FGOVX	$	8,090,854	4%
Bond				
American Century Infl-Adj Bond Inv	ACITX	$	2,526,024	1%
Fidelity Spartan US Bond Inx Instl	FSXTX	$	7,095,062	1%
PIMCO Total Return Admin	PTRAX	$	6,520,690	3%
American Century International Bd Inv	BEGBX	$	497,956	<1%
Fidelity New Markets Income	FNMIX	$	7,110,303	3%
Fidelity High Income	SPHIX	$	5,882,320	3%
Large Cap Equity U.S.				
MFS Value R4	MEIJX	$	6,448,216	3%
Fidelity Spartan 500 Index Instl	FXSIX	$	23,022,951	10%
Fidelity K	FFDKX	$	4,223,375	2%
Fidelity Contrafund K	FCNKX	$	71,220,230	31%
Mid Cap Equity U.S.				
American Century Mid Cap Value Inv	ACMVX	$	2,528,158	1%
Fidelity Low Priced Stock	FLPKX	$	30,330,254	13%
Fidelity Spartan Extnd Mkt Idx Advtg	FSEVX	$	6,514,695	3%
Morgan Stanley Inst Mid Cap Growth A	MACGX	$	1,332,771	1%
Small Cap Equity U.S.				
American Century Small Cap Value Inv	ACMVX	$	2,290,925	1%
Fidelity Small Cap Discovery	FSCRX	$	13,727,373	6%
International Equity				
Dodge and Cox International Stock	DODFX	$	7,832,385	3%
Fidelity Spartan Intl Idx Advtg	FSIVX	$	6,643,689	2%
Artisan International Investor	ARTIX	$	6,146,583	2%
Columbia Acorn International Z	AOINX	$	1,908,054	1%
Lazard Emerging Markets Equity Instl	LZEMZ	$	2,654,659	1%
Specialty				
Cohen & Steers Realty Shares	CSRSX	$	1,421,000	1%
Hybrid				
Janus Balanced T	JABAX	$	1,869,307	1%
	Total	$	227,044,816	100%

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Proposed Fidelity Tier II

Fidelity Asset Categories					
FIXED/MM/BOND	**DOMESTIC EQUITY**			**FOREIGN EQUITY**	**REAL ESTATE**
Fixed	**Value**	**Blend**	**Growth**	**World Stock**	
Money Market Fidelity Retirement Money Market	**Large Cap** Vanguard Equity Income	**Large Cap** Vanguard 500 Index	**Large Cap** Fidelity Contrafund K		
Short Government Vanguard Short-Term Govt Bond Index	**Small-Mid Cap** Fidelity Low Priced Stock	**Mid-Cap** Vanguard Mid Cap Index	**Small-Mid Cap** Alliance Bernstein Growth Discovery	**Large-Cap Blend** Vanguard Developed Markets Index	
Intermediate Government Vanguard Intermediate Govt Bond Index		**Small Cap** Vanguard Russell 2000 Index	**Small Cap**	**Small/Mid Growth**	
Long Government Vanguard Long-Term Govt Bond Index				**Emerging Markets**	
Intermediate-Term Vanguard Total Bond Market Index	**Small Cap**				

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Current TIAA-CREF Tier II

Fund Name	Ticker	Fidelity		
Fixed				
TIAA Traditional		$	1,113,261,117	53%
Bond				
TIAA RSRA-CREF Inflation-Linked Bond		$	37,596,167	2%
Vanguard Total Bond Market Index I	VBTIX	$	16,972,798	1%
Western Asset Core Plus Bond I	WACPX	$	4,158,789	<1%
Templeton Global Bond A	TPINX	$	6,103,001	<1%
Large Cap Equity U.S.				
Eaton Vance Large Cap Value I	EILVX	$	1,278,252	<1%
TIAA-CREF S&P 500 Index Instl	TISPX	$	12,990,325	1%
TIAA RSRA-CREF Stock	FFDKX	$	659,234,876	31%
American Funds Growth Fund of Amer RS	RGAFX	$	6,619,630	<1%
Mid Cap Equity U.S.				
TIAA-CREF Mid-Cap Value Instl	TIMVX	$	30,283,908	1%
Vanguard Mid Cap Index	VMCIX	$	12,341,880	1%
Munder Mid-Cap Core Growth Y	MGOYX	$	1,296,106	<1%
Small Cap Equity U.S.				
Columbia Small Cap Value Fund I Z	CSCZX	$	1,856,348	1%
TIAA-CREF Small-Cap Blend Idx Instl	TISBX	$	13,830,598	1%
International Equity				
American Funds Euro Pacific Gr RS	RERFX	$	12,810,847	1%
TIAA-CREF International Eq Idx Instl	TCIEX	$	22,337,394	1%
Lazard Emerging Markets Equity Open	LZOEX	$	4,420,774	<1%
Specialty				
TIAA RSRA-TIAA Real Estate Account		$	81,752,542	4%
Hybrid				
TIAA RSRA-CREF Social Choice		$	65,217,007	3%
	Total	$	2,104,362,359	100%

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Proposed TIAA-CREF Tier II

TIAA-CREF Asset Categories					
FIXED/MM/BOND	DOMESTIC EQUITY			FOREIGN EQUITY	REAL ESTATE
Fixed TIAA Traditional	**Value**	**Blend**	**Growth**	**World Stock**	
Money Market CREF Money Market	**Large Cap** Vanguard Equity Income	**Large Cap** Vanguard 500 Index CREF Stock	**Large Cap** American Funds Growth Fund of America		TIAA Real Estate
Short Government Vanguard Short-Term Govt Bond Index	**Small-Mid Cap** Alliance Bernstein Discovery Value	**Mid-Cap** Vanguard Mid Cap Index	**Small-Mid Cap** Alliance Bernstein Growth Discovery	**Large-Cap Blend** Vanguard Developed Markets Index	
Intermediate Government Vanguard Intermediate-Term Govt Bond Index		**Small Cap** Vanguard Russell 2000 Index	**Small Cap**	**Small/Mid Growth**	
Long Government Vanguard Long-Term Govt Bond Index				**Emerging Markets**	
Intermediate-Term Vanguard Total Bond Market Index	**Small Cap**				

Handling of Participant Tier II Accounts

- All current tier 2 investments not retained in the new tier 2 array will move to tier 3 (investments not monitored by the University's Retirement Committee)

- Assets will <u>not</u> be transferred to the new investment options in tier 2. Current participants may retain their current investment elections and balances or choose to reallocate their elections and balances across the tiers

Significant change to comply with fiduciary duties:

- Employees hired after the effective date (6/30/2015) will have access to tier 1 and the new tier 2 investments <u>only</u>. Tier 3 investments will <u>not</u> be available.

- Existing employees will have access to investments in tier 1, tier 2 and tier 3.

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DRAFT: Retirement Plan Change Implementation Schedule

October 20, 2014

Plan Implementation and communication

Initial Retirement Committee Discussion

Preliminary plan and program briefing to Employee Benefits, Staff Senate & University Senate meetings

Proposal submitted to EVPFA with Initial feedback

Proposal submitted to EVPFA for Final approval

Plan change communication to employees

Implementation July 1

→		Plan/Program Development		External Vetting		Public Vetting			→		
July	**August**	**September**	**October**	**November**	**December**	**January**	**February**	**March**	**April**	**May**	**June**

Plan revision based on feedback

Public Vetting
Public Forums -Campus X 2 -HealthCare X 2 -

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Questions?