



Retirement Plan Enhancements

EKU Employees Fall 2019



- Retirement Plan Review

EKU Establishes Fiduciary Process For University Sponsored Retirement Plans

- In 2017, EKU established a fiduciary committee to oversee its university sponsored retirement plan (ORP, 403(b) and 457(b)).
 - The committee consists of faculty from the College of Business and staff from Human Resources and finance administrators for the University.
 - A Committee Charter was adopted to outline the duties of the committee
 - An Investment Policy Statements was created to provide guidelines for investments categories, types of investments and metrics to evaluate investment performance.
- In 2017, the University engaged Cammack Retirement Group to provide investment advisory and consulting services.
 - Cammack has been in business for over 50 years and works with over 80 universities



- Retirement Plan Review

Ongoing Due Diligence

- Investment Advisory Services consist of:
 - Semi-annual meetings
 - Annual fiduciary training for ECU committee
 - Monitor investments
 - Make recommendations for selection, retention, and termination of funds
 - Review and make recommendations on committee charter and investment policy statement (IPS)
 - Benchmark investment company recordkeeping fees annually
 - Establish annual goals with ECU committee for communication and education campaigns
 - Compliance, research, support, and troubleshooting



Review the current plans and investment companies

- Review pricing from current investment companies
 - Charges to participants by investment companies for plan administration (i.e., recordkeeping fees)
- Review investments
 - Fees charged for investments
 - Review the number of investments offered
 - Review the types of investment contracts being used
- Offer a path forward to consolidate investment companies and the investments offered
 - Follow best practices in terms of number of investment companies, investments, and types of investments offered
 - ECU currently offers 4 investment companies for the ORP Plan and 7 additional investment companies for the 403(b) and 457(b) plans.
 - Best Practice would be to utilize one investment company for all three retirement plans (ORP, 403(b) and 457(b)), however state law currently requires a minimum of two investment companies for the ORP Plan.



Key Findings From Study

- EKV has Four ORP retirement plan investment companies and seven additional 403(b) and 457(b) investment companies and over 400 investment options.
- Most of the investments are being offered in fixed and variable annuity contracts.
 - Variable annuities contain “mortality and expense” charges that average 1% or more.
 - Mutual funds are used in most cases as the underlying variable annuity sub-account.
 - Net Expense ratio averages range from .55%-1.82%. (ORP investment Providers)
 - Most annuity contracts contain surrender charges, deferred sales charges and other fees which make the cost of investing much higher when compared to using mutual funds on an “open architecture investment platform.”
- Supplemental 403(b) and 457(b) investment companies had investments with share classes that included 12b-1 (commission) and Sub TA (recordkeeping) fees, some also included front-end loads and other investment related fees.





REQUEST FOR PROPOSAL

- ECU Retirement Plan Findings



- Plan Administration (aka recordkeeping) services would be lower if fewer vendors are used
- Fidelity did not provide a bid, citing a low amount of current business in the ECU plan (less than 10% of plan assets)
- TIAA offered the lowest cost for recordkeeping services
- VALIC and Voya offers were very close, ultimately VALIC was chosen as the second vendor
- ECU employees will pay lower fees going forward
 - TIAA's recordkeeping fees have been reduced by 38%
 - VALIC's cost will be reduced significantly
 - Move from "annuity" to "mutual fund" investment platform
 - Elimination of "mortality and expense" charge ranging from 1.0-1.25%
- New Investments
 - TIAA investment platform will consist of indexed target date funds, indexed mutual funds from Vanguard and actively managed funds from multiple fund managers
 - VALIC's investment platform will consist of indexed target date funds, indexed mutual funds from Fidelity and actively managed funds from Fidelity and other fund managers





WHY FEES ARE IMPORTANT

EKU Retirement Plan Findings





PARTICIPANT FEE EXAMPLE

Total fees paid over lifetime by typical worker

Salary when worker starts saving at age 25 and retires at age 67: **\$30,502 (median)**

Fee Percentage	Total Fees
0.25%	\$42,309
1.00%	\$138,336
1.30%	\$166,420

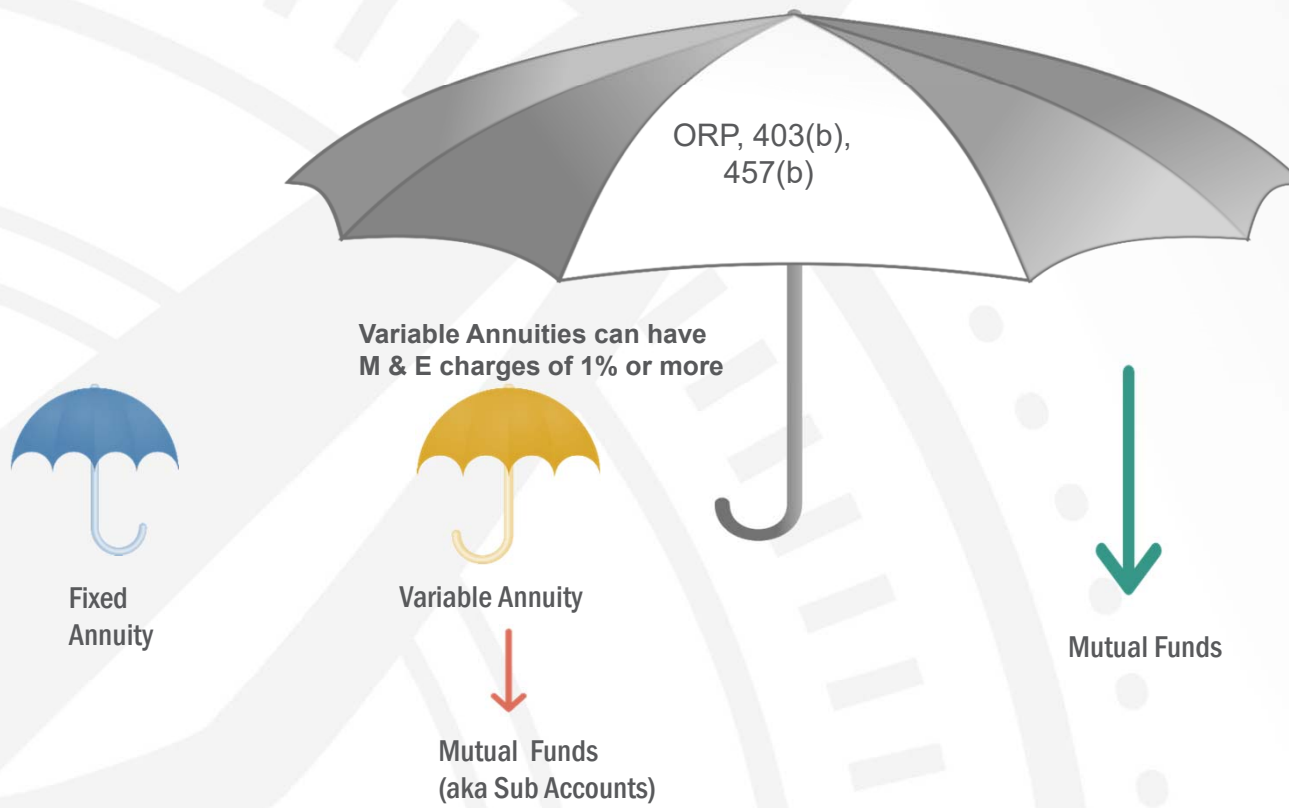
Total fees paid over lifetime by high-income worker

Salary when worker starts saving at age 25 and retires at age 67: **\$75,000**

Fee Percentage	Total Fees
0.25%	\$104,033
1.00%	\$340,147
1.30%	409,202

Source ("Fixing the Drain on Retirement Savings, How Retirement Fees Are Straining the Middle Class and What We Can Do about Them," Jennifer Erickson and David Madland, Center for American Progress, April 11, 2014)





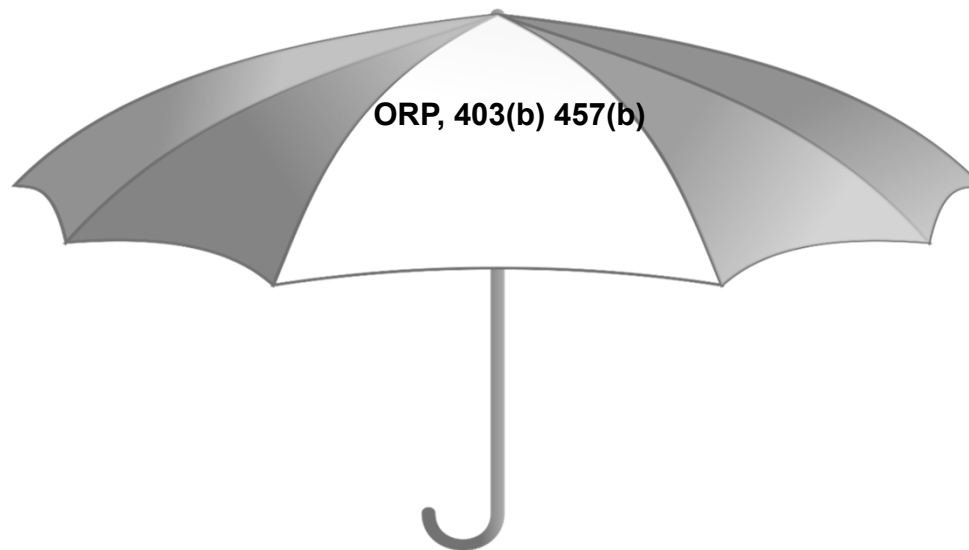


VOYA Investment Fee Disclosure Example

		Expenses Paid								
		Fund Expenses							Contract Charges	Total
Fund No	Fund Name	(A) Management Fees	(B) 12b-1 Fees	(C) Other Expenses	(D) Gross Fund Expense (A+B+C)	(E) Waivers and Adjustments	(F) Net Fund Expense (D+E)	Prospectus Date	(G) M & E Charge	(H) Total Net Fund Expense (F+G)
432	VY Oppenhr Global Port I	0.70%	0.00%	0.05%	0.75%	0.00%	0.75%	05/01/2018	1.00%	1.75%
436	VY Baron Growth Port Srv	0.95%	0.25%	0.04%	1.24%	0.00%	1.24%	05/01/2018	1.00%	2.24%
437	VY Invesco Comstock Port Srv	0.70%	0.25%	0.06%	1.01%	-0.02%	0.99%	05/01/2018	1.00%	1.99%
449	VY TRowePrice Divr MdCp Gr Pt I	0.74%	0.00%	0.03%	0.77%	0.00%	0.77%	05/01/2018	1.00%	1.77%
452	VY Invesco Eqty & Inc Port I	0.63%	0.00%	0.05%	0.68%	-0.03%	0.65%	05/01/2018	1.00%	1.65%
4568	Voya Fixed Plus Account II (4568)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
572	American Funds Growth Fnd R4	0.27%	0.25%	0.16%	0.68%	0.00%	0.68%	11/01/2017	1.00%	1.68%
573	American Funds EuroPacific R4	0.41%	0.25%	0.17%	0.83%	0.00%	0.83%	06/01/2018	1.00%	1.83%
742	Voya Large Cap Growth Port Inst	0.65%	0.00%	0.02%	0.67%	0.00%	0.67%	05/01/2018	1.00%	1.67%
759	Voya Solution 2025 Portfolio Srv	0.21%	0.25%	0.64%	1.10%	-0.07%	1.03%	05/01/2018	1.00%	2.03%
765	Voya Solution 2045 Portfolio Srv	0.22%	0.25%	0.71%	1.18%	-0.07%	1.11%	05/01/2018	1.00%	2.11%
770	VY TRowePrice Intl Stk Port Srv	0.64%	0.25%	0.16%	1.05%	0.00%	1.05%	05/01/2018	1.00%	2.05%
779	VY JPMorgan Emrg Mkts Eq Port Srv	1.25%	0.25%	0.01%	1.51%	0.00%	1.51%	05/01/2018	1.00%	2.51%
788	VY TRowePrice Captl Apprec Pt Srv	0.64%	0.25%	0.00%	0.89%	0.00%	0.89%	05/01/2018	1.00%	1.89%
789	VY Invesco Grw & Inc Port Srv	0.64%	0.25%	0.00%	0.89%	0.00%	0.89%	05/01/2018	1.00%	1.89%
818	American Funds Nw Prspctv R4	0.38%	0.25%	0.16%	0.79%	0.00%	0.79%	12/01/2017	1.00%	1.79%
819	American Funds Wash Mutual R4	0.23%	0.25%	0.16%	0.64%	0.00%	0.64%	07/01/2018	1.00%	1.64%
832	Oppenheimer Main St Sm Cap F/VA	0.68%	0.00%	0.14%	0.82%	-0.02%	0.80%	04/30/2018	1.00%	1.80%
834	Pioneer High Yield VCT Portfolio I	0.65%	0.00%	0.30%	0.95%	0.00%	0.95%	05/01/2018	1.00%	1.95%



SAMPLE OPEN ARCHITECTURE INVESTMENT PLATFORM



Fixed Account

**Low Cost Variable
Annuities**

Mutual Funds





Effective 1/1/2020, AIG and TIAA will be the retirement plan administrators going forward for all retirement plans (ORP, 403(b), 457(b)). A number of enhancements will be included in the new program:

The benefits to ECU employees and plan participants:

- Transitioning from an annuity platform to open architecture mutual fund platform
- Create greater scale and related lower cost structure
- Independent third-party investment platform control
- Lower cost investment options
- Enhanced employee communication & education program





INVESTMENT MENU & DESIGN



TIER ONE: “HANDS OFF” INVESTING

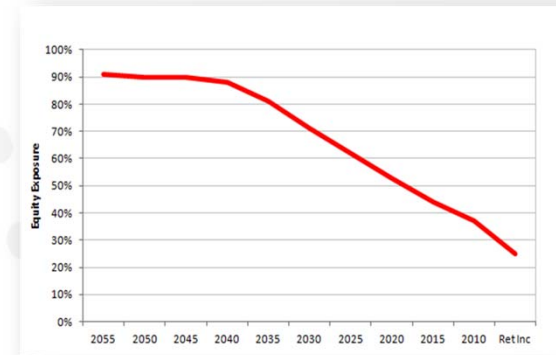
- Tier 1 Investments | Investment Menu & Design

What Is a target date fund?

A target date fund (TDF) is a portfolio containing a mix of stocks, bonds and other asset classes that are allocated based on the investor’s age or date of retirement. Ex. A fund that has “retirement 2040” in the name, is designed for a participant who anticipates retiring in the year 2040.

What is a target date fund “glide path”

The asset allocation of the TDF will rebalance, usually on an annual basis, to become more conservative as the investor approaches retirement.





INVESTMENT ANALYSIS: TIAA-CREF LIFECYCLE INDEX

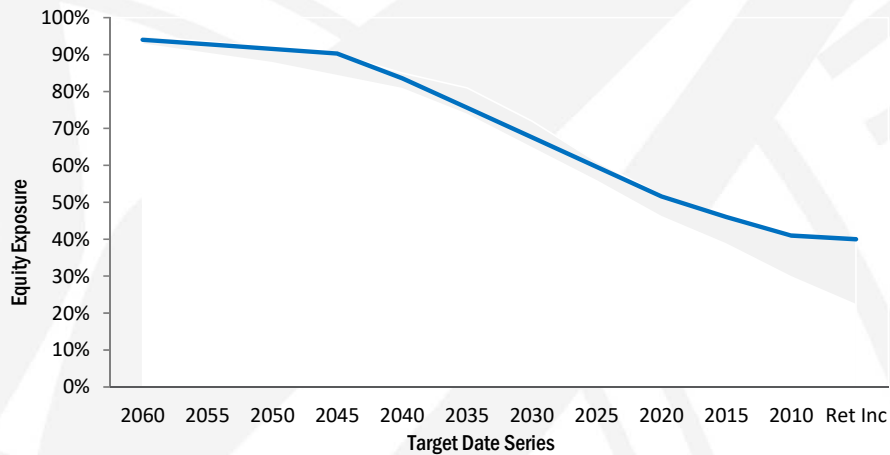
• Tier 1 Investments | Investment Menu & Design

RECOMMENDATION : Not on watch

FUND STRATEGY : To optimize the distribution of savings outcomes & the likelihood of sustaining various income levels in retirement while minimizing shortfall risk.

PRESERVATION OF CAPITAL			EXTENSION OF CAPITAL		
Target date series are managed more conservatively to provide downside protection			Target date series are managed more aggressively to address longevity risk		
Most Conservative	Conservative	Moderately Conservative	Moderately Aggressive	Aggressive	Most Aggressive

EQUITY GLIDE PATH



GLIDE PATH NOTES

- Equity at retirement (age 65) is 50%
- Equity at landing point (age 75) is 40%
- › **2010:** Added EM Equity Index
- › **2013:** Increased International Equity as a % of total equity from 25% to 30%
- › **2015:** Added Short-term Bonds as distinct asset class
- › **2016:** Increased equity for younger investors (2045-2060 funds)

ASSET ALLOCATION

Equity

U.S. Large Cap	P
U.S. Mid Cap	P
U.S. Small Cap	P
International Equity	P
Emerging Markets Equity	P

Fixed Income

U.S. Fixed Income	P
U.S. TIPS	P
High Yield	
Emerging Markets Debt	
International Fixed Income	

Alternative

Commodities	
Real Estate	

A = Active Management
P = Passive Management

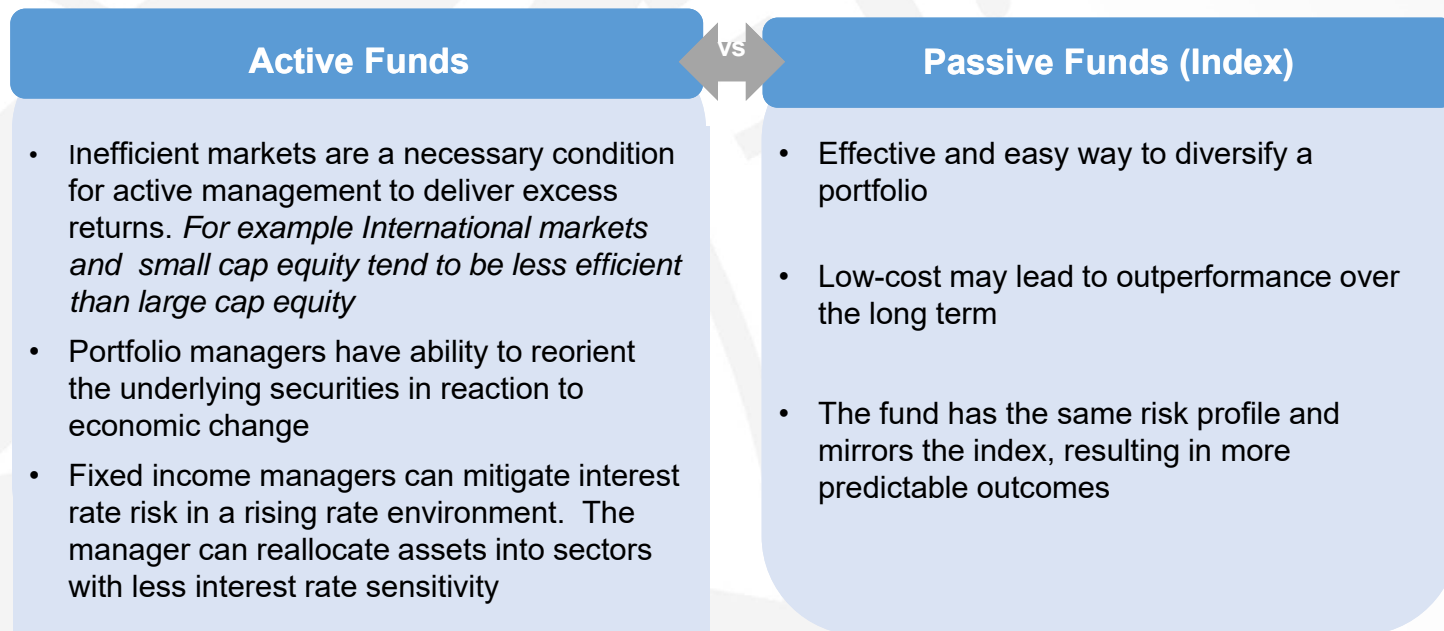
Data provided by TIAA as of 12.31.2018



• Tier 2 Investments | Investment Menu & Design

One of the most important decisions for a participant is whether to manage investments actively or passively. Participants like choice; using index funds to build a diversified, low-cost array and active funds where there is potential to achieve alpha over the long term.

We typically recommend a balanced approach to providing both index and actively managed options in a retirement program. Index options for all core asset classes are frequently included, to accommodate those wishing to fully index their portfolio.





Tier Two: Core Lineup





INVESTMENT ANALYSIS: INVESTMENT LINEUP - TIAA

TIAA-CREF RISK ALLOCATION FUNDS

TIAA-CREF Lifecycle Index Funds

TIER 2 - CORE INVESTMENTS

CAPITAL PRESERVATION

FIXED/STABLE

TIAA Traditional

MONEY MARKET

CREF Money Market R2
Vanguard Federal Money Market

SHORT-TERM BOND

CORE AND DIVERSIFYING FIXED INCOME

INTERMEDIATE

Vanguard Total Bond Market Index
Prudential Total Return Bond

WORLD BOND/EMERGING MARKET DEBT

Templeton Global Bond

HIGH YIELD

Lord Abbett High Yield

DOMESTIC EQUITY

LARGE VALUE

JPMorgan Equity Income

LARGE BLEND

Vanguard Institutional Index
TIAA-CREF Social Choice Eq

LARGE GROWTH

MFS Growth Fund

HYBRID

CREF Social Choice (Socially Responsible)

MID VALUE

American Century Mid Cap Value

MID BLEND

Vanguard Mid Cap Index

MID GROWTH

Pioneer Select Mid Cap Growth

SMALL VALUE

Wells Fargo Special Small Cap Value

SMALL BLEND

Vanguard Small Cap index

SMALL GROWTH

Federated MDT Small Cap Growth

INTERNATIONAL/GLOBAL EQUITY

FOREIGN LARGE CAP

MFS International Diversification
Vanguard Total International Stock Index

EMERGING MARKETS STOCK

American Funds New World

DIVERSIFIED GLOBAL EQUITY

CREF Stock

INFLATION HEDGE

INFLATION PROTECTED BOND

Vanguard Inflation-Protected Secs

REAL ESTATE/REIT

TIAA Real Estate Account
TIAA Real Estate securities

COMMODITY





INVESTMENT ANALYSIS: INVESTMENT LINEUP – AIG VALIC

TIAA-CREF Lifecycle Index Funds

TIER 2 – CORE INVESTMENTS

CAPITAL PRESERVATION

FIXED/STABLE VALIC Fixed Account	MONEY MARKET Vanguard Federal Money Market	SHORT-TERM BOND
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CORE AND DIVERSIFYING FIXED INCOME

INTERMEDIATE Fidelity U.S. Bond Index Fund Prudential Total Return Bond	WORLD BOND/EMERGING MARKET DEBT Templeton Global Bond	HIGH YIELD Lord Abbett High Yield
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DOMESTIC EQUITY

LARGE VALUE JPMorgan Equity Income	LARGE BLEND Fidelity S&P 500 Index	LARGE GROWTH Fidelity ContraFund	HYBRID
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MID VALUE Fidelity Low-Priced Stock	MID BLEND Fidelity Mid Cap Index	MID GROWTH Pioneer Select Mid Cap Growth
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SMALL VALUE Wells Fargo Special Small Cap Value	SMALL BLEND Fidelity Small Cap index	SMALL GROWTH Federated MDT Small Cap Growth
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INTERNATIONAL/GLOBAL EQUITY

FOREIGN LARGE CAP MFS International Diversification Fidelity Global ex-US Index	EMERGING MARKETS STOCK American Funds New World	GLOBAL DIVERSIFIED EQUITY
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INFLATION HEDGE

INFLATION PROTECTED BOND Vanguard Inflation-Protected Secs	REAL ESTATE/REIT Cohen and Steers Real Estate Securities	COMMODITY
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Conversion To New Investment Platform for current TIAA & AIG participants

- Employees investment allocation for new payroll contributions will be “mapped” to the new mutual fund investment platform.
- Examples of mapping are provided on the next slide.





TIAA MAPPING STRATEGY

Fund Name	Ticker	Action	Fund Name	Ticker
Fixed Account				
TAA Traditional		Keep	TAA Traditional	
Money Market				
CREF Money Market R2	QCMMPX	Keep	CREF Money Market R2	QCMMPX
Bond				
CREF Inflation-Linked Bond R2	QCLPX	Freeze/Map Future Contributions to	Vanguard Inflation-Protected Securities Fund Adm	VAIPX
TAA-CREF Short-Term Bond R	TSRX	Map	Vanguard Total Bond Market Index Fund Adm	VBTLX
CREF Bond Market R2	QCBMPX	Freeze/Map Future Contributions to	Pfundential Total Return R6	PTRQX
TAA-CREF Bond Index Retirement	TBRX	Map	Vanguard Total Bond Market Index Fund Adm	VBTLX
TAA-CREF Bond Plus R	TCBRX	Map	Pfundential Total Return R6	PTRQX
TAA-CREF Bond R	TDRX	Map	Pfundential Total Return R6	PTRQX
TAA-CREF High-Yield R	THRX	Map	Lord Abbett High Yield R6	LHYVX
		Add	Templeton Global Bond R6	FBNRX
Large Cap Equity U.S.				
TAA-CREF Large-Cap Value Div Retire	TRCVX	Map	Vanguard Institutional Index Fund Institutional	VNIX
TAA-CREF Large-Cap Value Retire	TRLCX	Map	JPMorgan Equity Income R6	OEXX
CREF Equity Index R2	QCEQPX	Freeze/Map Future Contributions to	Vanguard Institutional Index Fund Institutional	VNIX
TAA-CREF Equity Index R	TQRX	Map	Vanguard Institutional Index Fund Institutional	VNIX
TAA-CREF S&P 500 Index Retire	TRSPX	Map	Vanguard Institutional Index Fund Institutional	VNIX
TAA-CREF Social Choice Eq Retire	TRSCX	Keep	TAA-CREF Social Choice Eq Instl	TSCX
CREF Growth R2	QCGRPX	Freeze/Map Future Contributions to	MFS Growth Fund R6	MFEKX
TAA-CREF Growth & Income Retire	TRGX	Map	Vanguard Institutional Index Fund Institutional	VNIX
TAA-CREF Large-Cap Growth Retire	TRRX	Map	Vanguard Institutional Index Fund Institutional	VNIX
Mid Cap Equity				
TAA-CREF Mid-Cap Value Retire	TRVRX	Map	American Century Mid Cap Value R6	AMDVX
		Add	Vanguard Mid Cap Index	VMAX
TAA-CREF Mid-Cap Growth Retire	TRGMX	Map	Pioneer Select Mid Cap Growth K	PSMKX
Small Cap Equity U.S.				
TAA-CREF Small Cap Blend Div Retire	TRBK	Map	Vanguard Small Cap Index Adm	VSMAX
TAA-CREF Small Cap Equity Retire	TRSEX	Map	Federated MDT Small Cap Equity R6	QLSGX
		Add	Wells Fargo Special Small Cap Value R6	ESPRX
International Equity				
CREF Global Equities R2	QCGLPX	Freeze/Map Future Contributions to	MFS International Diversification R6	MDIZX
TAA-CREF International Eq Div Retire	TRFX	Map	Vanguard Total International Equity Index	VTAX
TAA-CREF International Eq Retire	TRERX	Map	MFS International Diversification R6	MDIZX
TAA-CREF Emerging Markets Eq Div Retire	TEQ SX	Map	American Funds New World R6	RNWGX
TAA-CREF Emerging Markets Eq Retirement	TEM SX	Map	American Funds New World R6	RNWGX
Specialty				
TAA-CREF Real Estate Sec Retire	TRRSX	Keep	TAA-CREF Real Estate Sec Instl	TREX
TAA Real Estate Account	QREARX	Keep	TAA Real Estate Account	QREARX
Hybrid				
CREF Social Choice R2	QCSCPX	Keep	CREF Social Choice R2	QCSCPX
CREF Stock R2	QCSTPX	Keep	CREF Stock R2	QCSTPX
Target Dates				
TAA-CREF Lifecycle Retire Income Retire	TLRX	Map	TAA-CREF Lifecycle Index Ret Inc Instl	TRLX



What is not changing?

The general plan design of the ORP and 403(b) Retirement Plans will not change

- Employee Contribution rates (Pre-Tax & Roth After-Tax Permitted)
- Employer contributions
- Eligibility requirements (Immediate for eligible employees)

Retirement contributions from earnings prior to the January 1, 2020 implementation date, **will remain in the retirement plan provider investment funds you have selected. You do not have to roll over the funds.**



New plan enrollment process & participant actions:

- Employees with Fidelity, Voya and supplemental 403(b)/457(b) vendors (ASpire, Ameriprise, Foresters Financial, MassMutual, MetLife, Waddell & Reed) will need to re-enroll as noted below:
 - Sign a new salary reduction agreement
 - Enroll with a new vendor (AIG or TIAA)
- All existing AIG plan participants will be required to establish new accounts through AIG
 - Affirm their investment allocation
 - Affirm their beneficiary elections
 - Current “asset allocations” will be mapped to the new investment line-up.
- Employees with TIAA will need to review their investments
 - New fund options, some funds going away
 - Funds going away will be frozen if “CREF annuities” or “mapped” if mutual funds



Next Steps

- Employees should attend group and/or individual meeting with their retirement plan provider (AIG and/or TIAA).
- Employees with de-selected retirement plan providers should attend group and/or individual meetings with AIG and/or TIAA. Employees will need to enroll with the new provider and complete the ORP and/or 403(b), 457(b) salary reduction agreements.

