



SPRING 2022

# Retirement Plan Enhancements

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Joey Payne  
CAPTRUST -Senior Financial  
Advisor

Michelle Smith  
UA Human Resources

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## AGENDA

- Introduction
  - What's Changing & What Do You Need to Know?
  - Why Fees Are Important?
  - Investment Menus
  - Timetable
  - Next Steps
  - Questions
-

# INTRODUCTION – WHY ARE WE HERE?

University of Akron elects to participate in state-wide retirement plan review.

- **In June 2016, the Ohio Department of Higher Education announced that eight investment companies were eligible to offer plans in the state’s 401(a) Alternative Retirement Plan (ARP).**
  - This announcement indicated a minimum of four investment companies must be used.
- **In 2017, Ohio public universities met to determine a course of action.**
  - Most Ohio universities have between six and eight investment companies.
  - Best practice is to use fewer investment companies to leverage economies of scale operating efficiencies, and better manage plans for participants.
- **In 2018, the Inter-University Council of Ohio issued a request for proposal (RFP) to hire a consulting firm to provide investment advisory and due diligence services for the 10 universities who chose to participated in this RFP.**
  - Cammack Retirement Group was selected. Cammack Retirement Group merged with CAPTRUST in January 2021 and will be referenced as CAPTRUST.
- **UA began working with CAPTRUST in December 2018.**
  - Best practice to streamline the number of 403(b) supplemental retirement plan vendors at the same time.
  - Other Ohio public universities are also reducing number of available providers. (Miami, OSU, Bowling Green, Toledo, Kent, Youngstown, etc.)

# WHAT RETIREMENT SAVINGS PLANS ARE WE ADDRESSING?

- **Alternative Retirement Plan - 401(a)**
  - Alternative to OPERS, SERS, or STRS for 100% FTE employees
  - Five (5) current approved providers
  
- **Traditional 403(b) Plan**
  - Voluntary, pre-tax contributions
  - Eleven (11) current approved providers
    - Five (5) are also ARP providers
  
- **Traditional 457(b) Plan**
  - Voluntary, pre-tax contributions
  - **Roth feature being added in April**
  - Five (5) current approved providers

*We are NOT addressing or discussing OPERS, SERS, STRS or Ohio Deferred Comp.*

# CURRENT STATE

- Most investments currently being offered are in fixed and variable annuity contracts.
  - Many 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 ratios range from .015%- 4.04%.
  - 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”.
  - Annuities can be an expensive option for plan participants.
- **FEES**
  - All fees are paid by participants. UA does not pay any fees.

# WHY ARE FEES IMPORTANT?

**Total fees paid over the lifetime of a typical worker.**

Salary when worker starts saving at age 25 and retires at age 67: **\$30,500**

| <b>Fee Percentage</b> | <b>Total Fees</b> |
|-----------------------|-------------------|
| 0.25%                 | \$42,309          |
| 1.00%                 | \$138,336         |
| 1.30%                 | \$166,420         |

**Total fees paid over the lifetime of a high-income worker.**

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

| <b>Fee Percentage</b> | <b>Total Fees</b> |
|-----------------------|-------------------|
| 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)*

# WHAT'S CHANGING AND WHAT DO YOU NEED TO KNOW?

- New Investment Options
  - Carefully selected by UA to give you the ability to create a diversified retirement portfolio.
- Lower Fees for the majority of plan participants
  - UA & CAPTRUST have selected investment options with a lower overall cost.
- Increased fee transparency
  - A new fee structure will make it easier to see the cost of each investment option, as well as fees paid for plan administration.
- A new online portal – Retirement @ Work - will be available to enroll in the 403(b) & 457(b) plans in May of 2022.

**Effective May 1, 2022, the retirement plan administrators for the ARP, 403(b) & 457(b) retirement plans will be AIG, Equitable, TIAA and Voya. A number of enhancements will be included in the new program.**

**The benefits to UA employees and plan participants include:**

- transition 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 for majority of participants
- enhanced employee communication & education program

# PROVIDER INFORMATION

- **SELECTED PROVIDERS**

- AIG
- Equitable
- TIAA
- VOYA

- **DESELECTED PROVIDERS**

- ARP
  - LINCOLN FINANCIAL ADVISORS
- 403(b)
  - AMERIPRISE
  - D & E FINANCIAL SERVICES (ORION PORTFOLIO SERVICE)
  - LINCOLN NATIONAL LIFE
  - MASSACHUSETTS MUTUAL
  - MILESTONE CENTER
  - PFS INVESTMENTS
  - WOMEN'S LIFE
- 457(b)
  - D & E FINANCIAL SERVICES (ORION PORTFOLIO SERVICE)

# NEW INVESTMENT MENU

- Tier I Target Date Funds
- Tier II Core Investments line up with both passive and actively managed mutual funds across all major asset categories
- Tier III Self-Directed Brokerage Window

# TIAA CREF LIFECYCLE INDEX

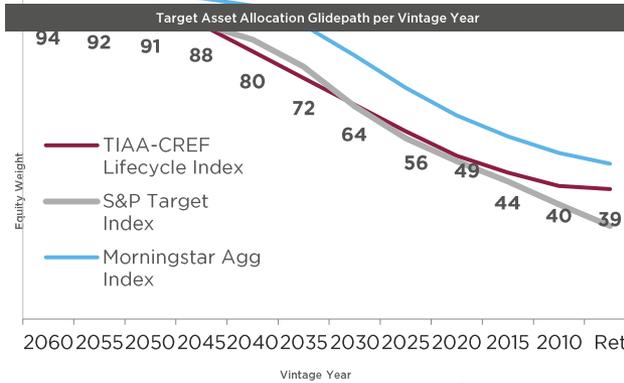
Period Ending 12.31.21 | Q4 21

| Investor Assumptions/Glidepath Methodology |   |
|--|---|
| Glidepath Management                       | • 30 years after retirement (assumed at age 65)   |
| Assumed Investor Savings Rate:             | • 10%   |
| Assumed Investor Income Growth Rate        | • Equal to inflation  |
| Income Replacement                         | • A range of percentages was used to design the glidepath   |
| Assumed Accumulated Savings at Retirement  | • No such assumption was made   |
| Life Expectancy                            | • Determined according to RP-2000 mortality tables  |
| Asset Allocation Flexibility               | • Modest tactical allocation capability   |
| Other Assumptions                          | • Made conservative capital market assumption that equity risk premiums will be lower going forward |

The TIAA CREF Lifecycle portfolios are constructed to achieve favorable retirement outcomes over time horizons and circumstances that broadly represent the investors of the funds. Reflecting this goal, TIAA models their portfolios to consider a large range of assumptions and focus not just on average or expected investment returns, but on the distribution of anticipated results at different points in time over the course of one's investment time horizon. This is why the Lifecycle Fund's glidepath is constructed with the objective of maximizing risk-adjusted outcomes at and in retirement for investors, based on their target retirement date.

| Investment Profile   |                           |                       |                     |
|----------------------|---------------------------|-----------------------|---------------------|
| % Open Architecture: | 0%                        | Active/Passive:       | Passive             |
| Inception Date:      | 9-30-2009                 | % Active:             | 3%                  |
| Net Assets \$MM:     | \$41,771                  | Manager Tenure:       | 12.33 Yrs (longest) |
| Manager Name:        | Erickson, Cunniff, Sedmak | Expense Range:        | 0.10%-0.35%         |
| Avg # of Holdings:   | 4                         | Investment Structure: | Mutual Fund         |

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| Dedicated Asset Class Granularity/Diversification |     |
|---|-----|
| Emerging Market Equities                          | Yes |
| International/Global Debt                         | No  |
| Inflation-Protected Securities                    | Yes |
| High Yield Fixed Income                           | No  |
| Real Estate                                       | No  |
| Commodities                                       | No  |

The equity exposure within TIAA CREF Lifecycle target date funds is well diversified between domestic and international equities. TIAA maintains a 70/30 split between domestic and international, with the 30% in international also encompassing an exposure to emerging market equities. As a participant gets closer to retirement, the mix of fixed income securities gradually transitions from more aggressive funds to a more conservative mix.

# TIAA CREF LIFECYCLE INDEX

Period Ending 12.31.21 | Q4 21

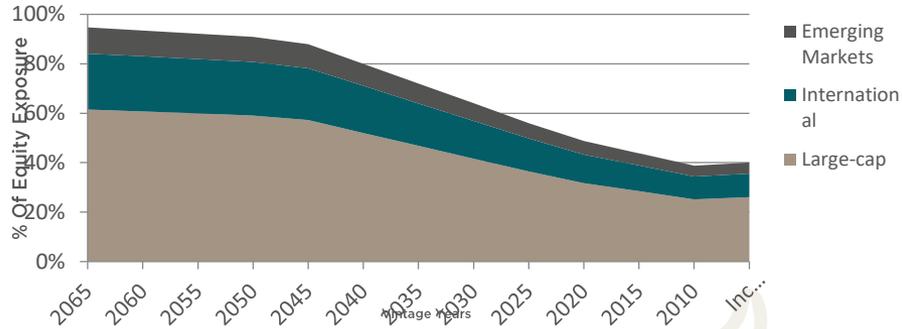
## Material Changes to the Series

- 2012:**
- Introduced the tactical management program
- Rationale:**
- Provide alpha by taking measured tactical allocation bets based on Capital Markets Assumptions
- 2013:**
- Increased allocation to international equity from 25% to 30%
- Rationale:**
- Added diversification to move more in line with the Global Market Cap
- 2015:**
- Added emerging markets debt
- Rationale:**
- Increased diversification within the fixed income bucket
- 2015:**
- Added short term fixed income
- Rationale:**
- Increased diversification and lessen potential losses during periods of short term market volatility
- 2016:**
- Increased equity from 90% to 95% in longer dated vintage years
- Rationale:**
- Improves retirement savings as well as the probability of sustaining income throughout retirement
- 2019:**
- End of glidepath extended to 30 years with an allocation of 80% fixed income, 20% equity.
- Rationale:**
- Glidepath updates were driven by enhanced participant data and updated capital market assumptions
- 2021:**
- Moved the U.S./non-U.S. equity split within the series from 70% U.S./30% non-U.S. to 65% U.S./35% non-U.S.
- Rationale:**
- The firm's most recent long-term capital market assumptions lowered expected returns for U.S. equities while international equity expected returns were more stable, making them more attractive.

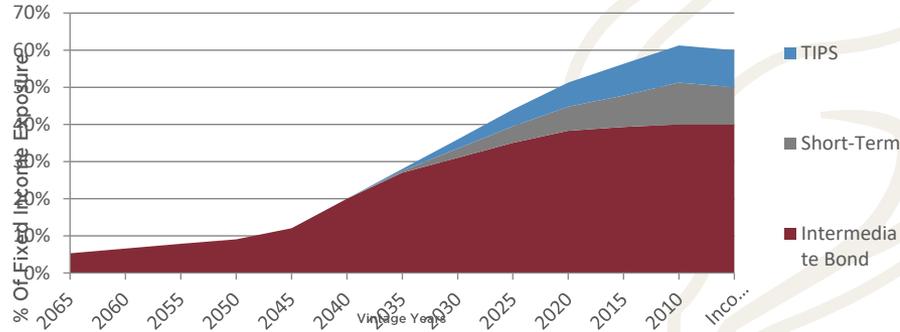
\*All information provided by the asset manager, as of 12/31/20. Asset allocations shown are static in nature and do not incorporate any tactical views implemented by the manager.

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## Equity Exposure



## Fixed Income Exposure



# INVESTMENT MENU – TIAA

## TIER 1 – TARGET DATE,

TIAA Lifecycle Index Target Date Funds

## TIER 2 – CORE INVESTMENTS

### CAPITAL PRESERVATION

#### FIXED/STABLE

TIAA Traditional

#### MONEY MARKET

Vanguard Federal Money Market

### CORE AND DIVERSIFYING FIXED INCOME

#### INTERMEDIATE

Vanguard Total Bond Market Index  
PGIM Total Return Bond

#### HIGH YIELD

PGIM High Yield

### DOMESTIC EQUITY

#### LARGE VALUE

Columbia Dividend Income

#### LARGE BLEND

Vanguard 500 Index

#### LARGE GROWTH

MFS Growth Fund

#### HYBRID/SOCIALLY RESPONSIBLE

TIAA Social Choice R2

#### MID VALUE

Allspring Special Mid Cap Value

#### MID BLEND

Vanguard Extended MKT Index

#### MID GROWTH

MFS Mid Cap Fund

#### SMALL VALUE

Allspring Special Small Cap Value

#### SMALL BLEND

Vanguard Extended MKT Index

#### SMALL GROWTH

Federated Kaufman Small Cap

### INTERNATIONAL/GLOBAL EQUITY

#### FOREIGN LARGE CAP

ClearBridge International Growth  
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  
Vanguard Real Estate Index

## TIER 3- Brokerage Window

# INVESTMENT MENU – AIG, EQUITABLE, VOYA

## TIER 1 – TARGET DATE,

TIAA Lifecycle Index Target Date Funds

## TIER 2 – CORE INVESTMENTS

### CAPITAL PRESERVATION

#### FIXED/STABLE

AIG Fixed, Equitable Fixed, Voya Fixed

#### MONEY MARKET

Vanguard Federal Money Market

### CORE AND DIVERSIFYING FIXED INCOME

#### INTERMEDIATE

Vanguard Total Bond Market Index  
PGIM Total Return Bond

#### HIGH YIELD

PGIM High Yield

### DOMESTIC EQUITY

#### LARGE VALUE

Columbia Dividend Income

#### LARGE BLEND

Vanguard 500 Index

#### LARGE GROWTH

MFS Growth Fund

#### HYBRID/SOCIALLY RESPONSIBLE

Calvert Balanced (Socially Responsible)

#### MID VALUE

Allspring Special Mid Cap Value

#### MID BLEND

Vanguard Extended MKT Index

#### MID GROWTH

MFS Mid Cap Fund

#### SMALL VALUE

Allspring Special Small Cap Value

#### SMALL BLEND

Vanguard Extended MKT Index

#### SMALL GROWTH

Federated Kaufman Small Cap

### INTERNATIONAL/GLOBAL EQUITY

#### FOREIGN LARGE CAP

ClearBridge International Growth  
Vanguard Total International Stock Index

#### EMERGING MARKETS STOCK

American Funds New World

### INFLATION HEDGE

#### INFLATION PROTECTED BOND

Vanguard Inflation-Protected Secs

#### REAL ESTATE/REIT

Vanguard Real Estate Index

## TIER 3- Brokerage Window

# WHAT IS A SELF- DIRECTED BROKERAGE ACCOUNT?

- Includes investments beyond those in the plan's lineup.
- For experienced investors. The Plan fiduciaries neither evaluate or monitor the investments available.
- It is your responsibility to ensure that the investments you select are suitable for your situation, including your goals, time horizon and risk tolerance.
- Contact your chosen provider for more information including how to set up an account, investment options available and fees associated with various transactions.

# A NEW CHAPTER FOR THE UA ARP, 403(b) & 457(b) PLANS

## What is not changing?

- The general plan design of the ARP, 403(b) and 457(b) Retirement Plans will not change
  - Employee Contribution rates
  - Eligibility requirements (immediate for eligible employees)
  - Employer contributions (ARP)
  - *Employees enrolled in OPERS/STRS may not change to the ARP as a result of these changes, nor can employees in the ARP switch to OPERS/STRS.*
  - *These changes do not apply to Ohio Deferred Comp*

# EMPLOYEE ACTIONS

## New plan enrollment process & participant actions.

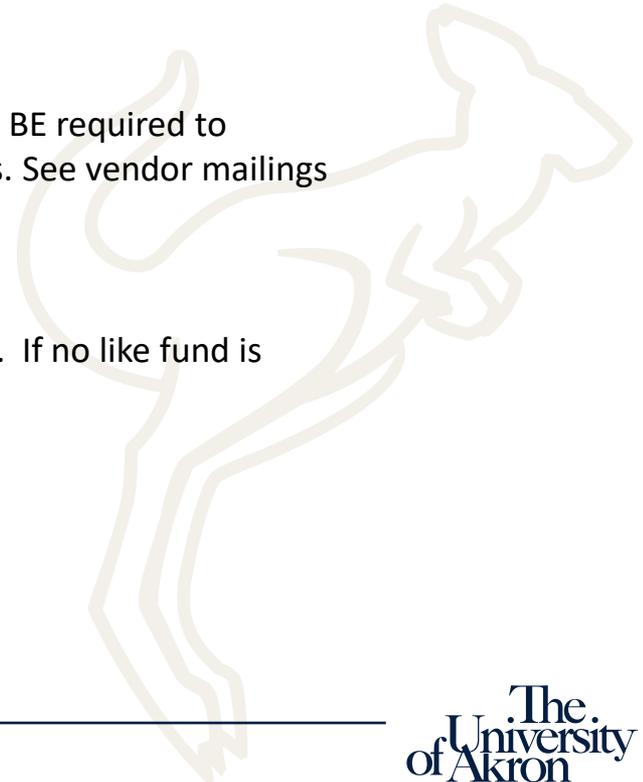
Employees MAY need to re-enroll as noted below:

### ***DESELECTED PROVIDERS***

- Re-enrollment and investment election is required.
- If no election is made by established deadline, employee will be DEFAULTED into TIAA and an age-appropriate Target Date Fund.

### ***SELECTED PROVIDERS\****

- Existing AIG, Equitable, TIAA, and Voya plan participants MAY BE required to establish new accounts online or with vendor representatives. See vendor mailings for details.
- Affirm OR add beneficiary elections.
- Current investment elections will “map over” to a “like” fund. If no like fund is available, the age-appropriate target date fund will be used.



# WHAT HAPPENS TO MY May 19, 2022 BALANCES?

Most balances in your vendor accounts as of May 19, 2022 will be “frozen.”

## **Frozen Assets**

Balances with the de-selected vendors or the remaining vendors are in individually-controlled annuity contracts and are not eligible for employer mapping.

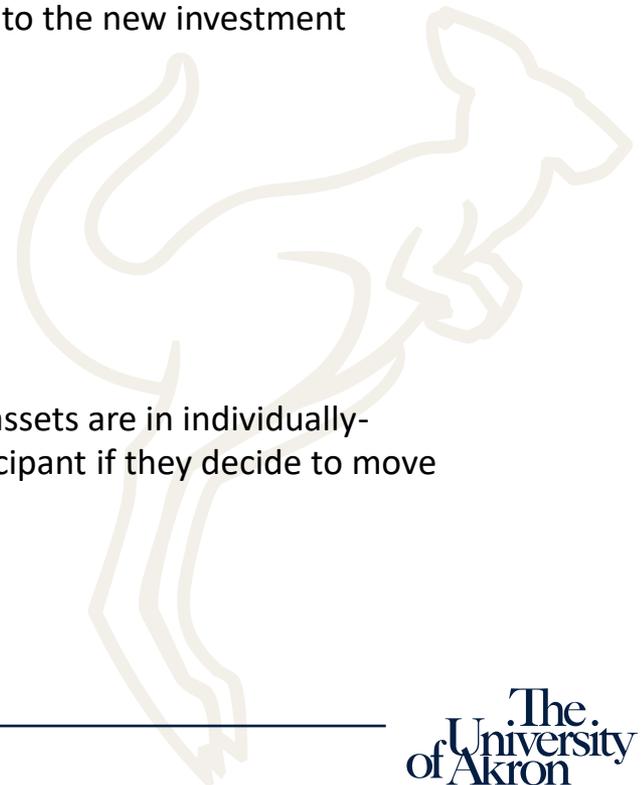
Employees can meet with their vendor and discern if transferring funds to the new investment platform is a good decision for them.

In some cases, fees could apply to transfer assets to a new vendor.

Fixed account crediting rates need to be reviewed as well.

## **Equitable**

ARP assets with Equitable will “map” to a like fund. 403(b) and 457(b) assets are in individually-controlled investment contracts and will need to be moved by the participant if they decide to move these funds to the new lower-cost mutual fund investment platform.

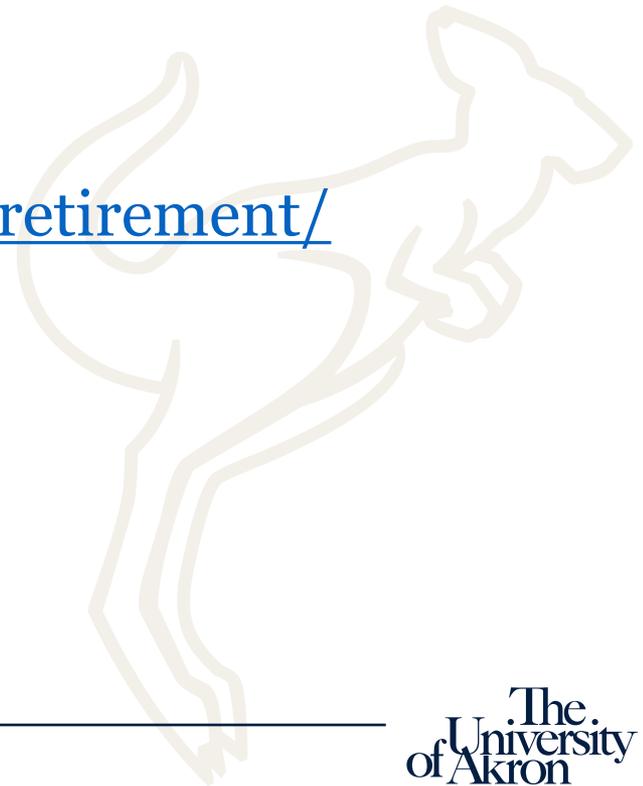


# NEXT STEPS

- Check the UA Benefits website for updates.
- If your current provider has been ‘deselected’ begin to consider which of the new providers you’d like to learn more about.
  - Schedule 1:1 session beginning the week of DATE
  - Carefully review the letter you receive from HR Benefits
- If your current provider is AIG, Equitable, TIAA or Voya, carefully review the transition brochure you will receive in April.
- Stay tuned for more information!

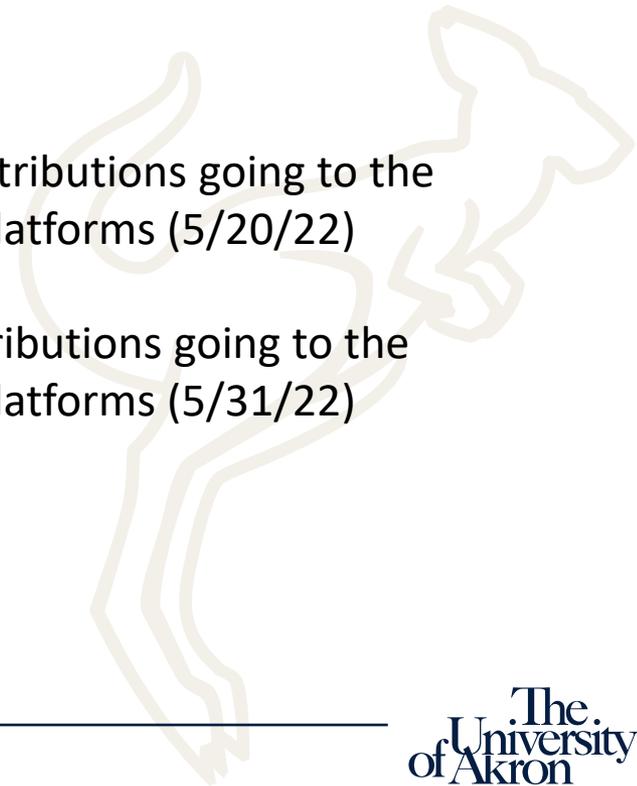
# TRANSITION INFORMATION CAN BE FOUND ONLINE AT:

<https://www.uakron.edu/hr/benefits/retirement/>



# TIMETABLE

- ✓ **March 28**                      **Enrollment window opens**
- ✓ **April 4-15**                      Group and individual meetings
- ✓ **April 22nd**                      **Enrollment window closes**
- ✓ **May 20th**                      First bi-weekly payroll with contributions going to the new mutual fund investment platforms (5/20/22)
- ✓ **May 31st**                      First monthly payroll with contributions going to the new mutual fund investment platforms (5/31/22)





# QUESTIONS?

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