Retirement Plan Changes and Enhancements

Fall 2019
Today’s Agenda

• Why the Enhancements?
• Retirement Investment Committee
• Overview of the Enhancements
• Enhancement Details
• Transition Experience
• Managing your new Fidelity Account
• Actions Steps & Resources
It’s All Outlined in the Transition Guide

Will be mailed to your home address and posted on the IU Retirement Plan Enhancements and Fidelity websites.

hr.iu.edu/benefits/retirement-rfp.html
Why the Changes and Enhancements?

- Meet Fiduciary Responsibilities
- Lower/More Transparent Fee Structure
- Improve Services
- Simplify Selection of Investment options

The university will not see any financial savings from these enhancements. Participants benefit directly from lower fees and additional services.

IU is not alone – Several other higher education institutions have made similar changes to their retirement plans.
Retirement Investment Committee

- Members include IU Faculty Members and Staff Administrators.
- Members are the named “fiduciaries” of IU’s retirement plans.
- The Committee worked closely with Aon Hewitt Investment Consulting (experienced and unbiased consultant).
- Strategic review of the IU retirement plans included:
  - Reviewing the current investment menu;
  - Evaluating the multiple recordkeeper structure;
  - Identifying opportunities to reduce participant fees; and
  - Assessing ways to enhance the participant experience and improve retirement readiness.

What is a Fiduciary?
In general terms, a person who owes a duty of care and trust to another and must act primarily for the benefit of the other in a particular activity.¹

What is Not Changing

Key aspects of IU’s retirement plans will remain the same:

- University contribution percentages
- Number and type of retirement plans
- Eligibility requirements
- Vesting requirements

These plans will not be affected by these changes:

- Public Employees’ Retirement Fund (PERF)
- IU 18/20 Plan eligibility and calculations
- IU Phased Retirement Plan
- Non-IU plans you have at TIAA or Fidelity

What about my accounts at TIAA that are not associated with IU?

If you have personal investment accounts or accounts from previous employers with TIAA, those accounts will not change.
Overview of Changes and Enhancements

• **Simplified reporting with improved services** through a single provider of recordkeeping services, Fidelity;

• **More transparent administrative fee** structure;

• **Streamlined investment menu**;
  – Simplified four-tier structure
  – Self-directed brokerage option

• **Rollovers** from other plans or IRAs into the TDA and 457(b) Plan; and

• **Roth contribution option** for the TDA and 457(b) Plan.
New Investment Menu
Four-Tier Investment Structure

• Tiered structure categorizes a broad range of investment options in a way that guides you through the investment decision-making process

• You select the appropriate tier(s) based upon your:
  – Investment knowledge
  – Time for managing your own investment portfolios
  – Tolerance for risk
  – Interest in making asset allocation decisions and selecting investment options

• Investment advice/educational materials are tailored to meet your needs based on selected tier
I want a simple yet diversified approach to investing.

Select fund based upon target retirement date.

Tier 1
Target Date Funds

I’m comfortable with investing but appreciate some help.

Select each fund “a la carte” to meet specific objectives.

Tier 2
Passively Managed Funds

I’m comfortable with investing but appreciate some help.

Select each fund “a la carte” to meet specific objectives.

Tier 3
Actively Managed Funds

I want more choice and I am comfortable researching and choosing investments.

Expanded mutual fund investment choices.

Tier 4
Self-Directed Brokerage

Funds that will be evaluated and monitored by IU Retirement Investment Committee.
Tier 1 Target Date Funds

“I want a simple yet diversified approach to investing.”

- Investing strategy that holds a **diversified mix of stocks, bonds, and short-term investments** based upon an anticipated retirement date (“target date”):
  - Portfolio gradually becomes more conservative as the fund reaches its target date
  - Helps ensure you have more stocks (higher risk) in your portfolio when you are young and more bonds and short-term reserves (lower risk) as you near retirement

- You do not have to create your asset mix or make periodic changes – investment professionals reallocate and monitor these funds.

Target Date Funds are an asset mix of stocks, bonds and other investments that automatically becomes more conservative as the fund approaches its target retirement date and beyond. Principal invested is not guaranteed.
# Tier 1 Target Date Funds

<table>
<thead>
<tr>
<th>DATE OF BIRTH</th>
<th>FUND NAME</th>
<th>TARGET RETIREMENT</th>
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<tbody>
<tr>
<td>On or before December 31, 1947</td>
<td>Vanguard Institutional Target Retirement Income Fund</td>
<td>On or before December 31, 2012</td>
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<td>Institutional Shares</td>
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<tr>
<td>January 1, 1998 and later</td>
<td>Vanguard Institutional Target Retirement 2065 Fund</td>
<td>2063 and later</td>
</tr>
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<td></td>
<td>Institutional Shares</td>
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</table>
Tier 2 Passively Managed Funds

“\text{I am comfortable with investing but appreciate some help.}”

- Funds designed to \textit{mirror} a particular market index or benchmark
- Provide exposure to a broad selection of securities at a relatively low cost
- These funds generally have lower fees than “actively managed” funds
- Gives you a great degree of flexibility and the ability to rebalance and manage your portfolio over time
## Tier 2 Passively Managed Funds

<table>
<thead>
<tr>
<th>Fund Name</th>
<th>Ticker</th>
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<tbody>
<tr>
<td>Vanguard 500 Index Fund Admiral Shares</td>
<td>VFIAX</td>
</tr>
<tr>
<td>Vanguard Developed Markets Index Fund Admiral Shares</td>
<td>VTMGX</td>
</tr>
<tr>
<td>Vanguard Emerging Markets Stock Index Fund Admiral Shares</td>
<td>VEMAX</td>
</tr>
<tr>
<td>Vanguard Extended Market Index Fund Admiral Shares</td>
<td>VEXAX</td>
</tr>
<tr>
<td>Vanguard FTSE Social Index Fund Admiral</td>
<td>VFTAX</td>
</tr>
<tr>
<td>Vanguard Total Bond Market Index Fund Admiral Shares</td>
<td>VBTLX</td>
</tr>
<tr>
<td>Vanguard Total International Bond Index Fund Admiral™ Shares</td>
<td>VTABX</td>
</tr>
<tr>
<td>Vanguard Total International Stock Index Fund Admiral Shares</td>
<td>VTIAX</td>
</tr>
<tr>
<td>Vanguard Total Stock Market Index Fund Admiral Shares</td>
<td>VTSAX</td>
</tr>
</tbody>
</table>
Tier 3 Actively Managed Funds

“I am comfortable with investing but appreciate some help.”

• Funds that try to outperform comparable market indices or benchmarks
• Actively managed by a portfolio manager or team of managers that selects investments they think will deliver the best combination of risk and return
• These funds generally have higher fees than “passively managed” funds
• Gives you a great degree of flexibility and the ability to rebalance and manage your portfolio over time
## Tier 3 Actively Managed Funds

<table>
<thead>
<tr>
<th>Fund Name</th>
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<tbody>
<tr>
<td>American Century High Income Fund R6 Class</td>
<td>AHIDX</td>
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<td>DFA U.S. Targeted Value Portfolio Institutional Class</td>
<td>DFFVX</td>
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<tr>
<td>Diamond Hill Large Cap Fund Class Y</td>
<td>DHLYX</td>
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<tr>
<td>MFS Institutional International Equity Fund</td>
<td>MIEIX</td>
</tr>
<tr>
<td>New York Life Guaranteed Interest Account</td>
<td>N/A</td>
</tr>
<tr>
<td>PIMCO Total Return Fund Institutional Class</td>
<td>PTTRX</td>
</tr>
<tr>
<td>Principal Real Estate Securities Fund Class R-6</td>
<td>PFRSX</td>
</tr>
<tr>
<td>T. Rowe Price Institutional Large Cap Growth Fund</td>
<td>TRLGX</td>
</tr>
<tr>
<td>Vanguard Federal Money Market Fund Investor Shares^</td>
<td>VMFXX</td>
</tr>
<tr>
<td>Vanguard Inflation-Protected Securities Fund Admiral Shares</td>
<td>VAIPX</td>
</tr>
<tr>
<td>William Blair Small-Mid Cap Growth Fund Class I</td>
<td>WSMDX</td>
</tr>
</tbody>
</table>

^You could lose money by investing in a money market fund. Although the fund seeks to preserve the value of your investment at $1.00 per share, it cannot guarantee it will do so. An investment in the fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The fund’s sponsor has no legal obligation to provide financial support to money market funds and you should not expect that the sponsor will provide financial support to the fund at any time.
Tier 4 Self-Directed Brokerage

“I am **comfortable researching and choosing investments** and want more choices.”

- Fidelity **BrokerageLink®**
- Provides access to **over 5,000** mutual funds from hundreds of companies:
  - You choose your own investments – while the funds in Tiers 1, 2, and 3 are selected by the Committee, the funds in BrokerageLink are not selected by the Committee
  - Buy, sell, or transfer funds online or by phone
- Fidelity does not provide investment advice for options in BrokerageLink.
- While the funds in Tier 1, 2, and 3 are monitored by the Committee, Tier 4 will not be monitored by IU Retirement Investment Committee.
- Additional costs/fees may apply.

BrokerageLink includes investments beyond those available in your plan’s lineup. You should compare investments and share classes that are available in your plan’s lineup with those available through BrokerageLink, and determine the available share class that is appropriate for your situation. IU neither evaluates nor monitors the investments available through BrokerageLink. It is your responsibility to ensure that the investments you select are suitable for your situation, including your goals, time horizon, and risk tolerance.
Additional Changes and Enhancements
Single Provider of Recordkeeping Services

What Does This Mean?

• Fidelity will be the sole provider of recordkeeping services for the IU retirement plans.

• Fidelity’s responsibilities include:
  – Maintaining transactional records
  – Safeguarding participants’ investments
  – Providing account-related information (e.g. account statements)

How May This Affect You?

Makes it easy for you to:
  – Access your account information
  – View your investment accounts
  – Manage your accounts

Administrative fees reduced.

Access to consistent retirement planning & investment education resources and tools.
## Fee Transparency

<table>
<thead>
<tr>
<th>Current Structure</th>
<th>New Structure (Starting January 1, 2020)</th>
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</thead>
<tbody>
<tr>
<td>Administrative fees are not outlined on account statements.</td>
<td>Administrative fees will be outlined on account statements.</td>
</tr>
<tr>
<td>Paid by participants based upon size of account.</td>
<td>Administrative fees will be a <strong>flat dollar amount</strong> and will appear on your account statements.</td>
</tr>
</tbody>
</table>

### What are My Fees?

A schedule of fees is available on the IUHR website [hr.iu.edu/benefits/retirement-rfp-fees.html](http://hr.iu.edu/benefits/retirement-rfp-fees.html)
Roth Contributions

- Beginning in January 2020
- Applies to the TDA and 457(b) Plans
- Contribute all or a portion of your contributions as Roth contributions, up to the annual IRS maximum (2019 = $19,000)
- Potential for tax-free retirement income
- Traditional pre-tax contribution option will still be available

What is a Roth Option?
A Roth option allows you to contribute money into your retirement account with after-tax dollars, and the money you contribute, including earnings, comes out tax-free in retirement, provided the distribution occurs at least five years after the first Roth contribution and on/after attainment of age 59 ½ disability or death.
Rollovers

• Beginning in January 2020
• Applies to the TDA and 457(b) Plans
• Potential benefits of account consolidation:
  – Easily view accounts and investments
  – Wholistic retirement planning
  – Easier for your beneficiaries to manage in the future

Considerations
Be sure to consider all your available options and the applicable fees and features of each before moving your retirement assets.
Transition Experience
How the Transition Will Work

**OPTION 1** Select Your New Investments

- Review funds and make your selections during the Early Choice Election Window.
- Your existing mutual fund balances at Fidelity & TIAA and any future contributions **will transfer to the new investment menu based upon your selections.**

**OPTION 2** Do Nothing

- Your existing mutual fund balances at Fidelity & TIAA and any future contributions **will default into the Vanguard Institutional Target Retirement Fund (Tier 1)** based upon the date closest to when you turn age 65.

Early Choice Election Window
November 11 – December 17, 2019
If You Currently Have a TIAA Account

- **Mutual fund** balances will transfer to Fidelity

- The following **annuity investments** will remain at TIAA:
  - TIAA Traditional Annuity
  - CREF Bond Market Account (R3)
  - CREF Equity Index Account (R3)
  - CREF Global Equities Account (R3)
  - CREF Growth Account (R3)
  - CREF Inflation-Linked Bond Account (R3)
  - CREF Money Market Account (R3)
  - CREF Social Choice Account (R3)
  - CREF Stock Account (R3)
  - TIAA Real Estate Account

- Some TIAA annuity investments may allow you to **voluntarily move** monies to the new streamlined investment menu at Fidelity

- Effective in January 2020, **all future contributions** must be invested in the new streamlined investment menu
If You Currently Have a TIAA Account

Blackout Period
December 23, 2019 – Week of January 19, 2020

During this time:

• The last payroll contribution will be remitted to TIAA on December 13, 2019.

• You will not be able to make changes to your IU retirement plan account(s) at TIAA, or to your IU retirement plan account balances transferring to Fidelity.

• All IU retirement plan assets at TIAA are subject to the blackout period – even those not transferring to Fidelity.
## Key Dates – Current TIAA Accounts

<table>
<thead>
<tr>
<th>Date</th>
<th>Asset Transfer</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 3, 2020, 4 p.m. ET</td>
<td>Your existing mutual fund account balance will be valued at the close of business.</td>
</tr>
</tbody>
</table>
| January 6, 2020    | Your mutual fund account balances will transfer into the new investment options at Fidelity based upon your choices selected during the Early Choice Election Window.  
                      
                      If you do not make a choice during the Early Choice Election Window, your investments will transfer to a Vanguard Institutional Target Retirement Fund based upon the date closest to when you turn age 65. |
# Key Dates – Current Fidelity Accounts

<table>
<thead>
<tr>
<th>Date</th>
<th>Asset Transfer</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 31, 2019 at 4:00 PM ET</td>
<td>If you made a choice during the Early Choice Election Window, your existing mutual fund investments will transfer into the new investment options at Fidelity based upon your choices.</td>
</tr>
<tr>
<td></td>
<td>If you do not make a choice during the Early Choice Election Window, your investments will transfer to a Vanguard Institutional Target Retirement Fund based upon the date closest to when you turn age 65.</td>
</tr>
</tbody>
</table>
Managing Your New Account
NetBenefits Website

NetBenefits® will be your main resource for getting answers about and taking action on your retirement account.

Login to NetBenefits to:

- Review or change your investments
- Name or update your beneficiaries
- Find the resources you need to help you achieve financial wellness, and feel confident about where you stand.

[NetBenefits.com/Indiana]
NetBenefits Website

1. View Your Account Balances
2. Quick Links
3. Your Next Steps
4. Retirement Income
5. Your Financial Wellness
   Personalized Action Plan

NetBenefits.com/Indiana
NetBenefits Mobile App

The NetBenefits® mobile apps for smartphone and tablet can help you stay connected with your benefits:

- **Access**: Manage your Fidelity workplace accounts in one easy-to-access location

- **Help**: Connect with a rep instantly by tapping “Give us a call”—so you are never too far from live assistance

1 Available during regular business hours only

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Where Do I Go for Help?
Meet With a Fidelity Representative

Have questions? Meet with Fidelity using the option that works best for you:

- **Visit a Help Desk**
  Have a quick question or two? Just drop by!

- **Attend a Seminar**
  No reservations required to attend – held across all IU campuses.

- **Attend a Live Webinar**
  Can’t attend in person? Register to attend a live webinar.

- **1:1 Consultation**
  Schedule a complimentary 1:1 consultation. Call 800-642-7131 or schedule online.

Schedules/Registration at MyFidelitySite.com/IU
Next Steps

Review the Transition Materials

Review & Select Investment Options

Meet with a Fidelity Representative

Review Transition Materials, View the Seminar Schedule, and Schedule a 1:1 Appointment at MyFidelitySite.com/IU
Thank You!
Any questions?
Disclosures

Before investing in any mutual fund, consider the investment objectives, risks, charges, and expenses. Contact Fidelity for a prospectus or, if available, a summary prospectus containing this information. Read it carefully.

Investing involves risk, including risk of loss.

The PDF of today’s presentation available for download should not be circulated any further, and this content is only current for the next 30 days.

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